A Comprehensive Annual Financial Report for the year ended June 30, 1987

NORTH CAROLINA

-S5897-1-F

Cover Photo: The Cape Hatteras Lighthouse towers 208 feet, the tallest in America, and has warned seafarers of the treacherous waters off the Cape, called the Graveyard of the Atlantic, since 1870. Its twin rotating beacons each produce a beam of 250,000 candle power and are easily visible at a distance of 20 miles.

When constructed, the lighthouse was situated one-half mile inland, but a changing shoreline and relentless currents have brought the sea to its base. The State has mounted a continuing campaign to save the lighthouse.

The lighthouse is located in the Cape Hatteras National Seashore and is open to the public. A former lightkeeper's house, adjacent to the tower, has been converted into a "Museum of the Sea."

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State of North Carolina

A COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 1987

James G. Martin
Governor

Farris W. Womack
Controller

Prepared By: Office of the State Controller
Division of Financial Systems and Accounting Control

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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

ORGANIZATIONAL CHART OF NORTH CAROLINA STATE GOVERNMENT

OFFICIALS OF THE STATE OF NORTH CAROLINA

State of North Carolina
Office of the State Controller

The Honorable James G. Martin
Governor of the State of North Carolina

It is our pleasure to furnish you with the 1987 Comprehensive Annual Financial Report (CAFR) of the State of North Carolina in accordance with G.S. 143B-426.39. This report has been prepared by the Office of the State Controller. Included within this report are the financial statements of the State of North Carolina and the necessary disclosures to fairly present the State's financial position and results of operations in all material respects. Statistical and demographic information are also included to give the reader a better understanding of the State's financial affairs. This letter summarizes the report and will assist you as well as help the casual reader understand the contents of the CAFR.

Reporting Entity and Its Services

The State of North Carolina entity as reported in the CAFR includes all fund types, account groups, departments and agencies of the State, as well as universities and boards, commissions, and authorities over which the State's executive, legislative and judicial branches exercise oversight responsibility. This is in conformance with the Governmental Accounting Standards Board (GASB) in their GASB Codification Section 2100. Oversight responsibility is defined to include: selection of governing authority; designation of management; financial interdependency; ability to significantly influence operations; and accountability for fiscal matters.

The State provides a broad range of services including education, health and social services, transportation, law enforcement, judicial, public safety, community and economic development, and general administrative services. The cost of these services is reflected in detail and in summary in this report.

Financial Statement Presentation

The accompanying financial statements of the State of North Carolina have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of the University Funds have been prepared in conformity with generally accepted accounting principles for colleges and universities as prescribed by the National Association of College and University Business Officers and the American Institute of Certified Public Accountants. Certain amounts presented for the preceding year have been reclassified for comparative purposes.

This report is presented in three main sections: Introductory, Financial and Statistical. In addition to information thus far presented, the Introductory Section includes a brief explanation of the Fund Accounting concept used by the State, discussion of operating results by fund type, and a State entity organization

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chart. The Financial Section includes the independent auditor's report, combined statements, notes to financial statements, and more detailed combining and individual statements and schedules. The Statistical Section includes selected financial and general information presented on a multi-year comparative basis.

In respect to the Financial Section, statements presented are further divided into two parts which are distinguished according to the reporting level of data.

General Purpose Financial Statements: The combined data presented in this section is required and the financial statements are in a form necessary to display a summary (all inclusive) overview of the financial position of all funds and account groups; and of the operating results of all funds - by type. The combined formats of these statements include columns of aggregate data which have been summarized from the more detailed combining and individual statements. The notes provided in the Financial Section of this report are considered an integral and essential part of adequate disclose and fair presentation of this financial report. The notes include a Summary of Significant Accounting Policies for the State and other necessary disclosure of pertinent matters relating to the financial position of the State. The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this document.

Combining and Individual Fund and Account Group - Statements and Schedules: Combining financial statements are required for this reporting level in each instance where the State has multiple funds of a given fund type. Individual fund statements and schedules may be presented for certain individual funds and account groups where the State has only one fund of a specific type in order to provide detail disclosure not included at the reporting level of the combining statements.

Accounting System and Budgetary Control

The financial activities of the State are organized on a basis of individual funds and account groups, each of which is a separate accounting entity segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. The budgetary basis of accounting for the State is the cash basis, except in certain Proprietary Funds which are maintained on the accrual basis. Necessary accruals and adjusting entries are made at year-end to convert all funds to the appropriate basis of accounting in accordance with generally accepted accounting principles. The State's financial statements for Governmental Funds (General, Special Revenue, Debt Service and Capital Projects), Expendable Trust Funds and Agency Funds have been prepared on the modified accrual basis of accounting in conformity with generally accepted accounting principles. Revenues on this basis are recognized when measurable and available to finance current expenditures; expenditures are recognized when the related liability is incurred. Proprietary Funds (Enterprise and Internal Service), Nonexpendable Trust Funds, Pension and University Funds are accounted for on the accrual basis. Revenues on the accrual basis are recognized when earned; expenses are recognized when incurred. A summary of the State's significant accounting policies and other necessary disclosures are included in the Notes to the Financial Statements.

The State's system of internal controls over the accounting system have been designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the State's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is exercised at the departmental level by legislative authorization of expenditures appearing in the State Appropriations Bill. This "Certified Budget" is the legal expenditure authority; however, executive changes to the legal budget may be authorized by the Office of State Budget and Management which results in the "Final Budget" presented in the financial statements.

General Government Functions

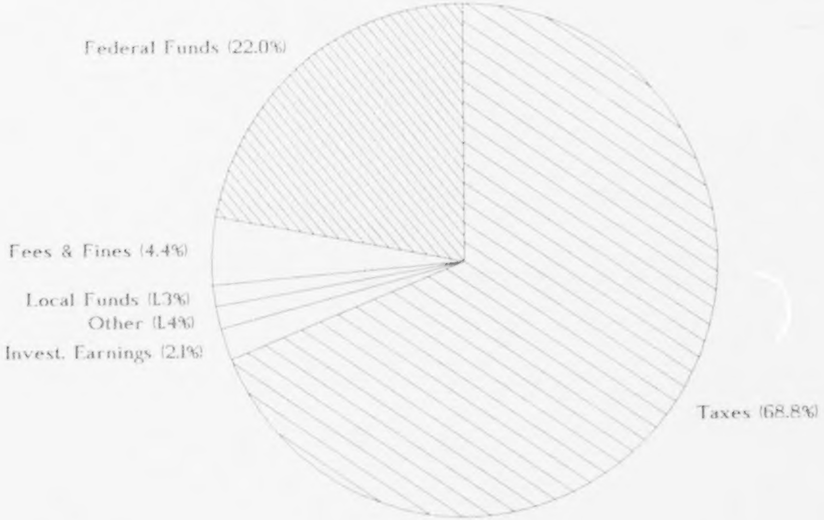
General governmental functions are accounted for in four governmental funds - the General, Special Revenue, Debt Service and Capital Projects Funds. Revenues funding general governmental functions totaled $8.4 billion in 1987, an increase of 8.8 percent over 1986. Taxes represented 68.8 percent of general revenues, compared to 66.7 percent last year. Income tax collections increased by $446 million in 1987, a 16 percent increase over 1986.

The amount of revenues from the various sources for the past two years and the current year's change from the prior year are shown below (expressed in millions).

	1987		1986		Increase
Financial Source	Total 6-30-87	Percent of Total	Total 6-30-86	Percent of Total	(Decrease) from 1986
Taxes	$ 5,783	68.8%	$ 5,130	66.7%	$ 653
Federal Funds	1,853	22.0	1,826	23.7	27
Local Funds	110	1.3	100	1.3	10
Investment Earnings	173	2.1	180	2.3	(7)
Fees, Licenses and Fines	369	4.4	366	4.8	3
Other	121	1.4	92	1.2	29
Total Revenues	8,409	100.0%	7,694	100.0%	$ 715
Operating Transfers In	506		418		
Total Financial Sources	$ 8,915		$ 8,112		

GENERAL GOVERNMENT REVENUES

For the Fiscal Year Ended June 30, 1987

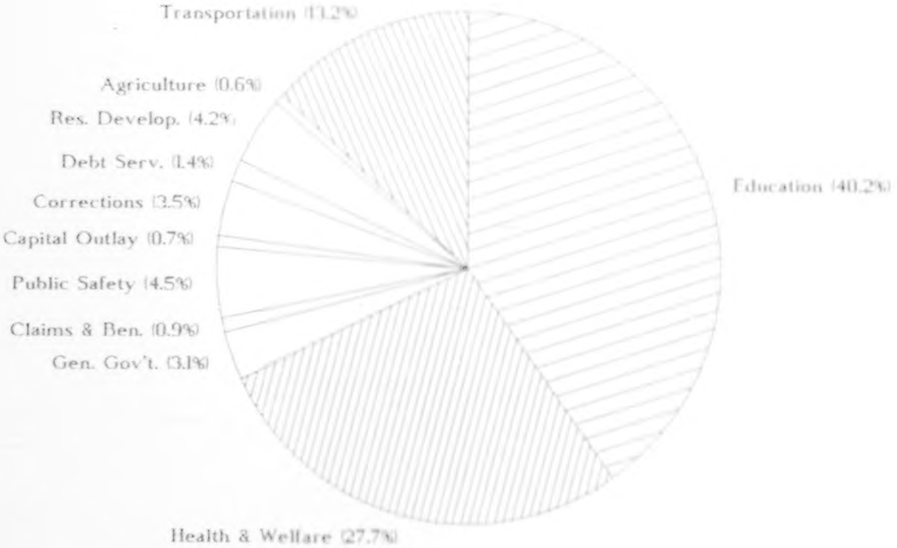


Expenditures for general governmental purposes totaled $7.2 billion in 1987, a 6.2 percent increase over 1986. Expenditures for the past two years by function and the current year's change from the prior year are shown below (expressed in millions).

	1987		1986		
Function	Total 6-30-87	Percent of Total	Total 6-30-86	Percent of Total	Increase (Decrease) from 1986
General Government	$ 221	3.1%	$ 132	2.0%	$ 89
Public Safety and Regulation	323	4.5	298	4.4	25
Corrections	253	3.5	232	3.5	21
Public Education and Community Colleges	2,890	40.2	2,708	40.5	182
Transportation	950	13.2	913	13.6	37
Health, Welfare and Rehabilitation	1,993	27.7	1,831	27.3	162
Resource Development and Preservation	305	4.2	312	4.6	(7)
Agriculture	46	.6	45	.7	1
Claims and Benefits	65	.9	65	1.0	
Capital Outlay	51	.7	46	.7	5
Intergovernmental	2	.0			2
Debt Service	97	1.4	113	1.7	(16)
Total Expenditures	7,196	100.0%	6,695	100.0%	$ 501
Operating Transfers Out to Universities and Other Funds	1,482		1,349		
Total Financial Uses	$ 8,678		$ 8,044		

GENERAL GOVERNMENT EXPENDITURES

For the Fiscal Year Ended June 30, 1987



Debt Administration

The State continues to receive a triple "A" rating from Moody's Investors Service and Standard and Poor's Corporation. Each year the high rating saves North Carolina millions of dollars in interest payments.

During the year, the State issued $46 million of new general obligation bonds for Clean Water and refinanced $210 million (Clean Water bonds) and $250 million (Highway bonds) in existing bonds at a more favorable interest rate. A total of $775.5 million in general obligation bonds were outstanding at June 30, 1987.

Cash Management

The North Carolina General Assembly recognized the importance of good cash management practices, and as a result, enacted legislation which promotes a "Statewide Cash Management Policy" to minimize idle and non-productive cash balances. All cash deposited with the State Treasurer by State entities is managed in pooled investment accounts to maximize interest earnings. During fiscal year 1987, uncommitted State funds were invested in short-term collateralized deposits as follows: U.S. Treasury Bills (79.1%); other marketable securities (11.5%); certificates of deposit (8.9%); and repurchase agreements (0.5%).

Proprietary and University Funds

All Enterprise Funds reported retained earnings for the fiscal year ended June 30, 1987. The overall increase in retained earnings for Enterprise Funds amounted to $7.1 million.

Internal Service Fund activity for 1987 remained consistent with prior year operations. Operating revenues and expenses for these cost-reimbursement agencies were $160 million and $217 million respectively, as compared to 1986 amounts of $149 million and $207 million.

Total fund balances for the University Funds at June 30, 1987 were $2.629 million, an increase of $269 million over 1986. University revenues increased by 5.0 percent to $1.132 million in 1987. General Fund and other appropriations to these funds rose 21.5 percent to $1.175 million. University expenditures increased 5.1 percent to $1.782 million.

Pension Fund

The State administers six retirement trust funds which include: Teachers' and State Employees, Local Government Employees, Firemen's and Rescue Squad Workers, Consolidated Judicial, Legislative Retirement and the North Carolina National Guard. Total assets of the State's Pension Trust Funds increased by 14.7 percent to $11.6 billion.

Independent Audit

In compliance with State statute, an annual financial audit of the State entity is completed each year by the North Carolina Office of State Auditor. The Auditor's examination was conducted in accordance with generally accepted auditing standards, and his opinion has been included in this report. In addition, the State coordinates the "Single Audit" effort of all Federal funds through the State Auditor.

Future Prospects

The future of North Carolina is bright. The economy is strong, diversified and growing. The State is the leading textile and furniture producer in the nation, and the electronics, communications and services sectors continue to grow at a strong rate. The State actively recruits and attracts foreign investment while expanding the export of its agricultural and manufactured products.

North Carolina has long been considered a national leader in the financial stability of its State and local governments. Its philosophy will continue to emphasize prudent and responsible financial management while maintaining a compassionate attitude towards the needs of its citizens.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awards certificates of achievement to governmental units that publish readable and efficiently organized CAFRs which conform to the Association's program standards and satisfy both generally accepted accounting principles and applicable legal requirements.

The State of North Carolina is participating in the GFOA program by submitting this and future reports for their review and comments. Through the continued development of the Office of the State Controller we will strive to meet all GFOA requirements and to receive the certificate of achievement.

Acknowledgements

In conclusion, we hope this report provides useful data in evaluating the financial activity of the State of North Carolina. We in the Office of the State Controller would like to express our appreciation to the financial officers throughout State government and the Office of State Auditor for their dedicated efforts in assisting us in the preparation of this report.

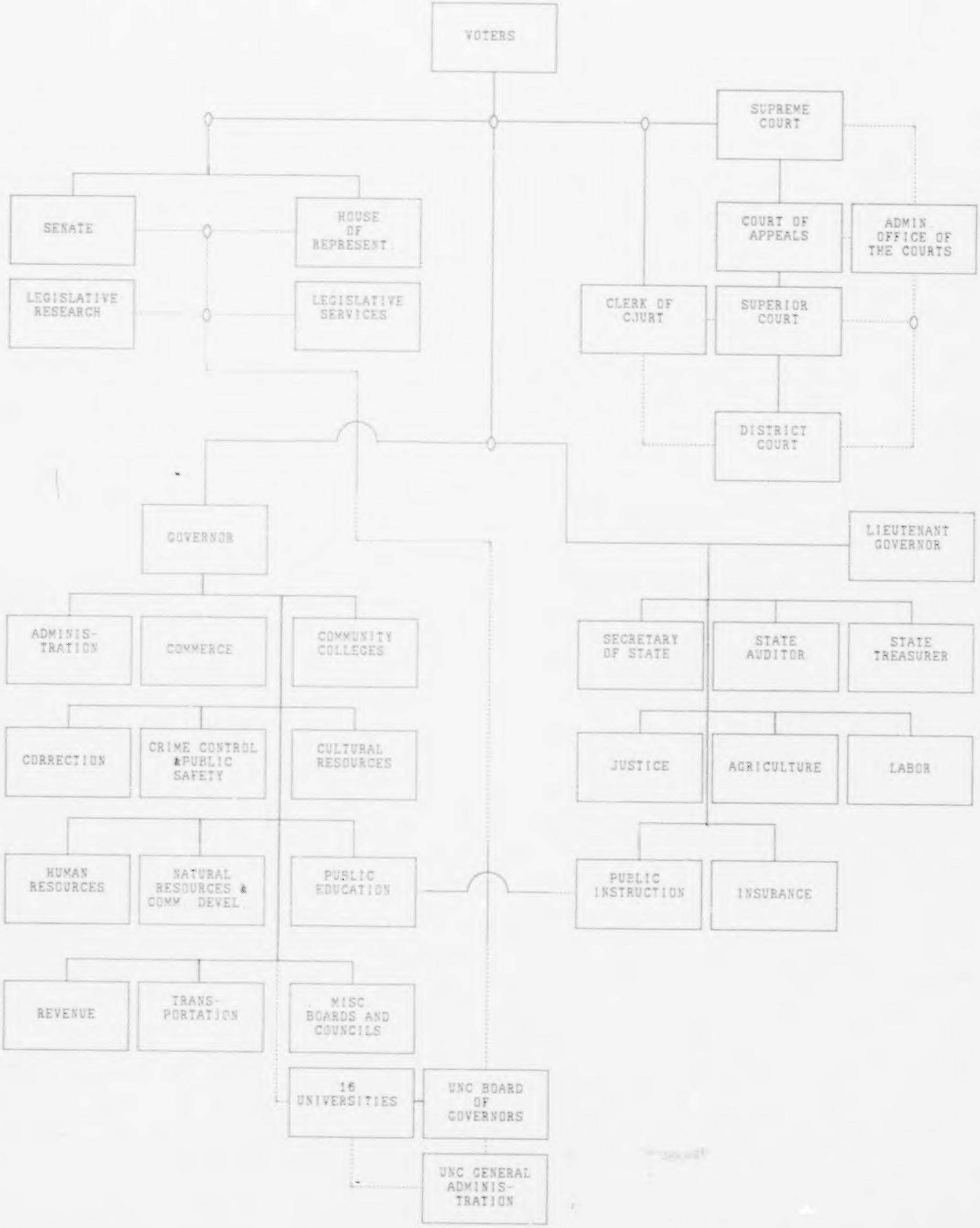
Respectfully Submitted,

Farris W. Womack

Farris W. Womack, Controller
Office of the State Controller

December 31, 1987

ORGANIZATIONAL CHART OF NORTH CAROLINA STATE GOVERNMENT


VOTERS
SUPREME COURT
SENATE
HOUSE OF REPRESENT.
COURT OF APPEALS
ADMIN. OFFICE OF THE COURTS
LEGISLATIVE RESEARCH
LEGISLATIVE SERVICES
CLERK OF COURT
SUPERIOR COURT
DISTRICT COURT
GOVERNOR
LIEUTENANT GOVERNOR
ADMINIS-TRATION
COMMERCE
COMMUNITY COLLEGES
SECRETARY OF STATE
STATE AUDITOR
STATE TREASURER
CORRECTION
CRIME CONTROL &PUBLIC SAFETY
CULTURAL RESOURCES
JUSTICE
AGRICULTURE
LABOR
HUMAN RESOURCES
NATURAL RESOURCES & COMM. DEVEL.
PUBLIC EDUCATION
PUBLIC INSTRUCTION
INSURANCE
REVENUE
TRANS-PORTATION
MISC. BOARDS AND COUNCILS
16 UNIVERSITIES
UNC BOARD OF GOVERNORS
UNC GENERAL ADMINIS-TRATION

OFFICIALS OF THE STATE OF NORTH CAROLINA

The Executive Branch

COUNCIL OF STATE

Governor	James G. Martin
Lieutenant Governor	Robert B. Jordan, III
Secretary of State	Thad Eure
State Auditor	Edward Renfrow
State Treasurer	Harlan E. Boyles
Superintendent of Public Instruction	Dr. A. Craig Phillips
Attorney General	Lacy H. Thornburg
Commissioner of Agriculture	James A. Graham
Commissioner of Labor	John C. Brooks
Commissioner of Insurance	James E. Long

The Legislative Branch

NORTH CAROLINA GENERAL ASSEMBLY

SENATE

President (Lt. Governor)	Robert B. Jordan, III
President Pro Tem	J. J. Harrington
Majority Leader	Kenneth C. Royal, Jr.
Minority Leader	William W. Redman, Jr.

HOUSE OF REPRESENTATIVES

Speaker	Liston B. Ramsey
Speaker Pro Tem	John J. Hunt
Minority Leader	Betsy L. Cochrane

The Judicial Branch

NORTH CAROLINA SUPREME COURT

Chief Justice	James G. Exum, Jr.

Associate Justices

Louis B. Meyer
Harry C. Martin
John Webb
Burley B. Mitchell, Jr.
Henry E. Frye
Willis P. Whichard

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FINANCIAL SECTION

AUDITOR'S OPINION

GENERAL PURPOSE FINANCIAL STATEMENTS

COMBINING AND INDIVIDUAL FUND STATEMENTS

AUDITOR'S OPINION

OFFICE OF THE STATE AUDITOR
LEGISLATIVE OFFICE BUILDING
300 N. SALISBURY STREET
RALEIGH, N. C. 27611

EDWARD RENFROW
STATE AUDITOR

(919) 733-3217

Governor James G. Martin
The General Assembly of North Carolina

We have examined the general purpose financial statements of the State of North Carolina as of and for the year ended June 30, 1987, as listed in the table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the State Educational Assistance Authority (Insured Student Loan Program) and the North Carolina Deferred Compensation Plan which statements reflect total assets constituting 2% of the assets of the Trust and Agency Funds and total revenues constituting 36% of the revenues of the Nonexpendable Trust Funds; nor did we examine the financial statements of the North Carolina Housing Finance Agency and the U.S.S. North Carolina Battleship Commission, which statements reflect total assets and revenues constituting 78% and 38% of the assets and revenues, respectively, of the Enterprise Funds. These statements were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors.

As described more fully in Note 1J to the financial statements, the balances reported on the combined balance sheet and the additions and deletions reported on the schedule of changes in Note 3D for the general fixed assets account group are misstated by an amount which is not readily determinable.

As described more fully in Note 10 to the financial statements, not all intrafund and interfund transactions have been recorded and reported in accordance with generally accepted accounting principles. Therefore, the financial statements are misstated by an amount which is not readily determinable.

In our opinion, based upon our examination and the reports of other auditors, except for the effects of the matters discussed in the preceding paragraphs, the general purpose financial statements referred to above present fairly the financial position of the fund types and account groups of the State of North Carolina at June 30, 1987, and the results of each fund type's operations and the changes in financial position of the proprietary fund types and similar trust funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of North Carolina. The information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, except as noted in the above paragraphs, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

We did not examine the data included in the statistical section of the report, and, therefore, express no opinion thereon.

Edward Renfrow
Edward Renfrow
State Auditor

December 23, 1987

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GENERAL PURPOSE FINANCIAL STATEMENTS

COMBINED STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1987

(Expressed in Thousands)

	Governmental Fund Types			
Assets	General	Special Revenue	Debt Service	Capital Projects
Cash and Cash Equivalents (Note 3 B)	$ 1,006,503	$ 477,212	$ 4,176	$ 186,712
Cash With Fiscal Agents (Note 3 B)		10,100	1,254	
Investments (Note 3 B)	5,235			
Receivables (Note 3 C)	234,562	58,589	4	372
Interfund Receivables	6,884	7,443	1,446	218
Notes Receivable				
Inventories	24,696	38,222		
Prepaid Expenses		326		
Fixed Assets (Note 3 D, 3 E)				
Securities Held In Trust		991		
Amount Available In Debt Service Funds				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets	$ 1,277,880	$ 592,883	$ 6,880	$ 187,302
Liabilities and Fund Equity				
Liabilities:				
Payables	$ 609,678	$ 95,188	$	$ 3,218
Interfund Payables	3,637	18,961		65
Notes Payable				
Capital Leases Payable (Note 3 H, 3 I)				
Bonds Payable (Note 3 I)			965	
Interest Payable			471	
Deposits Payable	47	18,830		1,490
Accrued Vacation Leave (Note 3 F)				
Deferred Revenue	56,160	1,919	1,264	
Total Liabilities	669,522	134,898	2,700	4,773
Fund Equity:				
Contributed Capital				
Investment In General Fixed Assets				
Retained Earnings				
Fund Balances:				
Reserved (Note 3 J)	186,050	53,108	4,180	
Unreserved:				
Designated Subsequent Years' Expenditures	58,791	404,877		182,529
Undesignated	363,517			
Total Fund Equity	608,358	457,985	4,180	182,529
Total Liabilities and Fund Equity	$ 1,277,880	$ 592,883	$ 6,880	$ 187,302

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

Exhibit A-1

Proprietary Fund Types		Fiduciary Fund Types	Account Groups			Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligation	University	June 30, 1987	June 30, 1986
$ 22,519	$ 26,427	$ 1,517,358	$	$	$ 451,407	$ 3,692,314	$ 3,068,541
					59,366	70,720	57,451
231,582	391	11,801,610			344,627	12,383,445	10,790,108
39,442	13,762	110,447			62,395	519,573	475,725
11	17,940	12,929			4,633	51,504	30,527
581,303		93,737			56,035	731,075	718,344
5,818	22,635	628			20,091	112,090	132,884
4,472	9	525			1,874	7,206	8,564
168,801	132,896		1,180,808		2,107,483	3,589,988	3,359,511
240		211,509				212,740	199,772
				4,180		4,180	17,819
				879,168		879,168	843,158
$1,054,188	$ 214,060	$ 13,748,743	$ 1,180,808	$ 883,348	$ 3,107,911	$ 22,254,003	$ 19,702,404
$ 13,311	$ 10,569	$ 227,689	$	$ 12,610	$ 65,914	$ 1,038,177	$ 910,408
773	2,908	28,387			4,486	59,217	60,540
1,026	47				33,297	34,370	61,759
18	10,428			1:077	12,092	23,615	26,332
750,685	1,475	25,620		780.664	235,421	1,794,830	1,774,719
18,965	52	488			2,967	22,943	20,081
311	15	319,122			80,318	420,133	368,436
5,421				88,997	31,248	125,666	117,590
2,806	1	21,876			13,311	97,337	73,166
793,316	25,495	623,182		883,348	479,054	3,616,288	3,413,031
79,910	36,634					116,544	114,321
			1,180,808		1,920,927	3,101,735	2,864,380
180,962	151,931					332,893	328,173
		13,160,538			259,761	13,663,637	11,828,321
					277,571	923,768	675,318
		(34,977)			170,598	499,138	478,860
260,872	188,565	13,125,561	1,180,808		2,628,857	18,637,715	16,289,373
$1,054,188	$ 214,060	$ 13,748,743	$ 1,180,808	$ 883,348	$ 3,107,911	$ 22,254,003	$ 19,702,404

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1987

(Expressed in Thousands)

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Revenues:			
Taxes	$ 5,219,692	$ 525,953	$ 38,068
Federal Funds	1,472,035	378,283	
Local Funds	95,466	14,139	
Investment Earnings	147,253	26,239	41
Sales and Services	51,577	1,874	
Sale, Rental and Lease of Property	4,023	156	
Fees, Licenses and Fines	100,522	268,560	
Contributions, Gifts and Grants	1,195	5,476	
Insurance Premiums			
Miscellaneous	40,921	14,594	
Total Revenues	7,132,686	1,235,274	38,109
Expenditures:			
Current:			
General Government	215,720	4,819	
Public Safety and Regulation	241,741	81,674	
Corrections	251,906	743	
Public Education and Community Colleges	2,854,939	34,720	
Transportation		950,076	
Health, Welfare and Rehabilitation	1,972,922	20,430	
Resource Development and Preservation	267,220	37,292	
Agriculture	46,137		
Claims and Benefits		65,430	
Capital Outlay			
Intergovernmental			
Bond Principal Retirement			33,072
Bond Interest Retirement			35,029
Refunded Bond Escrow Payment			29,094
Total Expenditures	5,850,585	1,195,184	97,195
Excess Revenues Over (Under) Expenditures	1,282,101	40,090	(59,086)
Other Financing Sources (Uses):			
Operating Transfers In	141,463	151,273	79,819
Operating Transfers Out	(1,322,969)	(117,271)	(15,215)
Proceeds of Refunded Bonds			460,007
Payment to Refunded Bond Escrow Agent			(459,471)
Funds Escheated			
Refund of Funds Escheated			
Proceeds from Bond Sale		46,000	
Total Other Financing Sources (Uses)	(1,181,506)	80,002	65,140
Excess of Revenues and Other Sources Over Expenditures and Other Uses	100,595	120,092	6,054
Fund Balances - July 1 - As Previously Reported	521,141	306,683	17,819
Restatements (Note 3 A)	(12,658)	175	
Residual Equity Transfers.(Note 3 L)	(1,488)	19,693	(19,693)
Increase (Decrease) in Reserve for Related Assets	768	11,342	
Fund Balances - June 30	$ 608,358	$ 457,985	$ 4,180

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

Exhibit A-2

	Fiduciary Fund Types	Totals (Memorandum Only)	
Capital Projects	Expendable Trust	June 30, 1987	June 30, 1986
$	$ 307,804	$ 6,091,517	$ 5,538,373
2,300	9,202	1,861,820	1,834,529
104	243	109,954	100,791
24	127,309	300,866	286,502
62	11,026	64,539	60,270
73	233	4,485	4,205
	4,023	373,105	370,626
203	68,899	75,773	59,268
	215,692	215,692	255,993
654	2,693	58,862	39,127
3,420	747,124	9,156,613	8,549,684
	8,456	228,995	140,660
	431	323,846	297,840
	9,572	262,221	241,996
	699	2,890,358	2,708,883
		950,076	912,778
	1,916	1,995,268	1,832,802
	73	304,585	312,442
	517	46,654	47,158
	509,400	574,830	605,067
51,425		51,425	43,255
2,142		2,142	
		33,072	59,562
		35,029	53,451
		29,094	
53,567	531,064	7,727,595	7,255,894
(50,147)	216,060	1,429,018	1,293,790
133,559	1,989	508,103	418,818
(26,206)	(4,830)	(1,486,491)	(1,353,337)
		460,007	
		(459,471)	
	7,058	7,058	5,293
	(1,162)	(1,162)	(620)
		46,000	
107,353	3,055	(925,956)	(929,846)
57,206	219,115	503,062	363,944
125,180	1,172,497	2,143,320	1,708,338
143	399	(11,941)	33,942
		(1,488)	35,690
	80	12,190	1,406
$ 182,529	$ 1,392,091	$ 2,645,143	$ 2,143,320

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (BUDGETARY BASIS) GENERAL FUND

For the Fiscal Year Ended June 30, 1987

(Expressed in Thousands)

Exhibit A-3

Page 1 of 2

	General Fund				
				Variance Favorable (Unfavorable)	
	Certified Budget	Final Budget	Actual (Budgetary Basis)	Certified Budget	Final Budget
Sources of Financial Resources:					
Fund Balance (Budgetary Basis) - July 1, 1986	$ 319,109	$ 319,109	$ 319,109	$	$
Cash Receipts:					
General:					
Taxes:					
Income	2,914,266	2,914,266	3,129,407	215,141	215,141
Sales and Use	1,455,500	1,455,500	1,451,613	(3,887)	(3,887)
Other	628,100	628,115	599,542	(28,558)	(28,573)
Non-Tax:					
Fees, Licenses and Fines	40,200	40,200	39,337	(863)	(863)
Investment Income	144,000	144,000	139,534	(4,466)	(4,466)
Other	33,800	33,800	32,644	(1,156)	(1,156)
Departmental:					
Federal Funds	1,529,489	1,581,233	1,445,887	(83,602)	(135,346)
Local Funds	178,680	206,763	200,741	22,061	(6,022)
Inter-Agency Grants and Alloc.	79,050	88,801	82,199	3,149	(6,602)
Intra-Agency Transfers	47,595	228,149	223,331	175,736	(4,818)
Sales and Services	312,883	326,465	326,000	13,117	(465)
Rental and Lease Income	2,234	3,789	3,598	1,364	(191)
Fees, Licenses and Fines	39,921	43,464	41,635	1,714	(1,829)
Contributions, Gifts and Grants	4,398	4,967	4,257	(141)	(710)
Universities	191,097	199,437	195,581	4,484	(3,856)
Miscellaneous Income	5,988	10,806	20,062	14,074	9,256
Total Cash Receipts	7,607,201	7,909,755	7,935,368	328,167	25,613
Total Sources of Financial Resources	7,926,310	8,228,864	8,254,477	328,167	25,613
Uses of Financial Resources:					
Cash Disbursements:					
General Government	157,573	174,091	161,614	(4,041)	12,477
Public Safety and Regulation	250,277	257,738	246,198	4,079	11,540
Corrections	254,496	256,254	254,287	209	1,967
Public Educ. and Comm. Colleges	3,048,810	3,184,782	3,064,884	(16,074)	119,898
Universities	1,223,285	1,241,225	1,186,654	36,631	54,571
Transportation	6,262	6,262	6,262		
Health, Welfare and Rehab.	2,222,536	2,335,885	2,270,393	(47,857)	65,492
Resource Dev. and Preservation	341,215	354,053	291,083	50,132	62,970
Agriculture	51,203	52,757	49,303	1,900	3,454
Debt Service	64,506	64,506	63,949	557	557
Capital Outlay	297,667	297,667	297,667		
Total Uses of Financial Resources	7,917,830	8,225,220	7,892,294	25,536	332,926

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
GENERAL FUND

For the Fiscal Year Ended June 30, 1987
(Expressed in Thousands)

Exhibit A-3
Page 2 of 2

	General Fund				
				Variance Favorable (Unfavorable)	
	Certified Budget	Final Budget	Actual (Budgetary Basis)	Certified Budget	Final Budget
Fund Balance (Budgetary Basis) - June 30, 1987	$ 8,480	$ 3,644	$ 362,183	$ 353,703	$ 358,539
Adjustments to Conform with GAAP:					
Accrued Revenues			343,013		
Accrued Expenditures			(341,800)		
Fund Reclassifications			156,240		
Authorized Carryforward of Appropriated Funds			58,791		
Reserved for Inventories			24,696		
Other Reserves			5,235		
Fund Balance (GAAP Basis) - June 30, 1987			$ 608,358		

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (BUDGETARY BASIS) BUDGETED DEPARTMENTAL SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 1987

Exhibit A-4

(Expressed in Thousands)

	Departmental Special Revenue Funds				
				Variance Favorable (Unfavorable)	
	Certified Budget	Final Budget	Actual (Budgetary Basis)	Certified Budget	Final Budget
Sources of Financial Resources:					
Fund Balance (Budgetary Basis) - July 1, 1986	$ 33,299	$ 33,299	$ 33,299	$	$
Cash Receipts:					
Departmental:					
Federal Funds	43,854	44,450	41,125	(2,729)	(3,325)
Local Funds	18	1,704	578	560	(1,126)
Inter-Agency Grants and Alloc.	76,452	93,951	86,423	9,971	(7,528)
Intra-Agency Transfers	17,724	24,147	23,392	5,668	(755)
Sales and Services	1,841	2,178	1,839	(2)	(339)
Rental and Lease Income	182	193	156	(26)	(37)
Fees, Licenses and Fines	27,413	30,129	31,103	3,690	974
Contributions, Gifts and Grants	106	1,407	1,189	1,083	(218)
Universities	20,783	30,465	47,605	26,822	17,140
Miscellaneous Income	5,570	7,750	6,449	879	(1,301)
Total Cash Receipts	193,943	236,374	239,859	45,916	3,485
Total Sources of Financial Resources	227,242	269,673	273,158	45,916	3,485
Uses of Financial Resources:					
Cash Disbursements:					
General Government	8,677	14,464	12,300	(3,623)	2,164
Public Safety and Regulation	102,463	110,890	104,998	(2,535)	5,892
Corrections	1,066	797	786	280	11
Public Educ. and Comm. Colleges	12	15,969	11,550	(11,538)	4,419
Universities	20,735	35,905	48,037	(27,302)	(12,132)
Health, Welfare and Rehab	24,259	27,248	21,188	3,071	6,060
Resource Dev. and Preservation	39,166	43,658	40,846	(1,680)	2,812
Total Uses of Financial Resources	196,378	248,931	239,705	(43,327)	9,226
Excess Sources Over Uses	$ 30,864	$ 20,742	33,453	$ 2,589	$ 12,711
Adjustments:					
Budgeted Non-Cash Transactions			(182)		
Fund Balance (Budgetary Basis) - June 30, 1987			33,271		
Unbudgeted Funds			2,005		
Fund Balance (Budgetary Basis -All Funds) - June 30, 1987			35,276		
Adjustments to Conform with GAAP:					
Accrued Revenues			4,488		
Accrued Expenditures			(7,286)		
Fund Reclassifications			39,410		
Authorized Carryforward of Appropriated Funds			2,905		
Reserved for Inventories			3,109		
Fund Balance (GAAP Basis) - June 30, 1987			$ 77,902		

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (BUDGETARY BASIS) HIGHWAY FUND

For the Fiscal Year Ended June 30, 1987

(Expressed in Thousands)

Exhibit A-5

	Highway Fund				
				Variance Favorable (Unfavorable)	
	Certified Budget	Final Budget	Actual (Budgetary Basis)	Certified Budget	Final Budget
Sources of Financial Resources:					
Fund Balance (Budgetary Basis) - July 1, 1986	$ 276.683	$ 276.683	$ 276,683	$	$
Add: Encumbrances and Reserves Reappropriated	598.580	598.580	598,580		
Adjusted Fund Balance (Budgetary Basis) - July 1, 1986	875.263	875,263	875,263		
Cash Receipts:					
General:					
Taxes:					
Gasoline....................	521.500	521.500	525,593	4.093	4.093
Non-Tax:					
Fees, Licenses and Fines....	230.450	230,969	237,618	7,168	6.649
Investment Income...........	23.500	23.500	26,194	2,694	2.694
Other.....................	1.200	1.200	2.285	1.085	1,085
Departmental:					
Federal Funds...............		333.770	333,770	333.770	
Local Funds...................		21.048	21,048	21.048	
Inter-Agency Grants and Alloc.	6.145	6.145	6.145		
Due From Debt Service Fund....		19.693	19.693	19.693	
Miscellaneous.................			8.861	8.861	8.861
Total Cash Receipts...............	782.795	1.157.825	1.181.207	398.412	23.382
Total Sources of Financial Resources	1.658.058	2.033.088	2.056.470	398.412	23.382
Uses of Financial Resources:					
Cash Disbursements:					
Transportation..................	896.922	1.432.313	1,033,134	(136.212)	399.179
Total Uses of Financial Resources...	896.922	1.432.313	1,033,134	(136.212)	399.179
Fund Balance (Budgetary Basis) - June 30, 1987.....................	$ 761.136	$ 600.775	1.023.336	$ 262.200	$ 422.561
Adjustments to Conform with GAAP:					
Accrued Revenues..			(28,938)		
Accrued Expenditures......................................			(20,835)		
Budgetary Assets..			(681,095)		
Reserved for Inventories..................................			2,199		
Other Reserves..			43,166		
Fund Reclassification.....................................			(1.774)		
Fund Balance (GAAP Basis) - June 30, 1987.....................			$ 336,059		

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

For the Fiscal Year Ended June 30, 1987

(Expressed in Thousands)

	Proprietary Fund Types	
	Enterprise	Internal Service
Operating Revenues:		
Sales and Services	$ 191.689	$ 155.461
Sales		
Federal Funds		
Investment/Interest Earnings	81.784	
Rental and Lease Earnings	1.920	847
Fees, Licenses and Fines	2.207	1.027
Contributions	16.391	
Insurance Premiums		
Miscellaneous	5.622	50
Local Funds		2.205
Allowances and Uncollectible Accounts	(32.166)	
Total Operating Revenues	267.447	159.590
Operating Expenses:		
Personal Services	126.928	38.601
Supplies and Materials	36.346	29.187
Services	13.499	5.529
Interest Expense	72.776	
Depreciation	15.802	19.734
Cost of Goods/Services Sold	481	114.423
Claim and Benefit Payments		
Refund of Contributions		
Other Expenses	3.000	9.081
Total Operating Expenses	268.832	216.555
Operating Income (Loss)	(1.385)	(56.965)
Total Net Nonoperating Revenues (Expenses)	(9.852)	2.174
Income (Loss) Before Operating Transfers	(11.237)	(54.791)
Total Operating Transfers In (Out)	21.479	51.287
Net Income Before Extraordinary Gain(Loss)	10.242	(3.504)
Extraordinary Gain(Loss)	(2.890)	
Net Income(Loss)	7.352	(3.504)
Fund Equity -July 1- as Previously Reported	253.780	188.714
Restatements (Note 3 A)	(148)	(272)
Residual Equity Transfers (Note 3 L)	(112)	
Increase In Contributed Capital		3.627
Fund Equity - June 30	$ 260.872	$ 188.565

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

Exhibit A-6

Fiduciary Fund Types		Totals (Memorandum Only)	
Nonexpendable Trust	Pension Trust	June 30, 1987	June 30, 1986
$	$	$ 347,150	$ 288,696
			31,441
2,930		2,930	4,295
12,187	1,141,505	1,235,476	1,121,938
		2,767	5,573
7,175	2,562	12,971	9,423
235	871,213	887,839	814,950
4,081		4,081	3,236
22	406	6,100	3,718
		2,205	2,154
		(32,166)	(26,997)
26,630	2,015,686	2,469,353	2,258,427
331	3,370	169,230	150,929
		65,533	62,628
1,161		20,189	22,380
2,025		74,801	78,675
		35,536	28,208
		114,904	106,857
1,091	476,677	477,768	428,284
	55,850	55,850	59,286
3,362	21	15,464	18,810
7,970	535,918	1,029,275	956,057
18,660	1,479,768	1,440,078	1,302,370
		(7,678)	(9,294)
18,660	1,479,768	1,432,400	1,293,076
5,159		77,925	85,424
23,819	1,479,768	1,510,325	1,378,500
		(2,890)	
23,819	1,479,768	1,507,435	1,378,500
141,289	10,084,993	10,668,776	9,305,568
(2)	3,603	3,181	11,503
		(112)	(35,690)
		3,627	8,895
$ 165,106	$ 11,568,364	$ 12,182,907	$ 10,668,776

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

For the Fiscal Year Ended June 30, 1987
(Expressed In Thousands)

	Proprietary Fund Types	
	Enterprise	Internal Service
Sources of Working Capital:		
Operations:		
Net Income	$ 7,352	$ (3,504)
Items Not Requiring (Providing) Working Capital:		
Depreciation and Amortization	15,802	24,991
(Gain) Loss on Sale or Transfer of Fixed Assets	299	872
Other Items		
Working Capital Provided by Operations	23,453	22,359
Proceeds from Sale of Bonds	57,613	
Proceeds from Sale of Investments	82,373	
Residual Equity Transfers		
Other Sources	49,323	18,884
Total Sources of Working Capital	212,762	41,243
Uses of Working Capital:		
Acquisition of Fixed Assets	21,476	30,747
Purchase of Investments	7,006	
Purchase of Mortgage Loans Receivable	62,648	
Residual Equity Transfers		
Other Uses	132,144	13,447
Total Uses of Working Capital	223,274	44,194
Net Increase (Decrease) In Working Capital	$ (10,512)	$ (2,951)
Elements of Net Increase (Decrease) in Working Capital:		
Cash and Cash Equivalents	$ (4,756)	$ (9,257)
Investments	(2,040)	48
Receivables	1,429	6,072
Interfund Receivables	1	11,140
Notes Receivable		
Inventories	319	(18,707)
Prepaid Expenses	(213)	1
Payables	(316)	9,008
Interfund Payables	75	7
Notes Payable	178	
Capital Leases Payable	4	(1,258)
Revenue Bonds Payable	(265)	(5)
Interest Payable	(3,591)	1
Deposits Payable	168	(1)
Accrued Vacation Leave	(434)	
Deferred Revenue	(1,071)	
Net Increase (Decrease) in Working Capital	$ (10,512)	$ (2,951)

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

Exhibit A-7

Fiduciary Fund Types		Totals (Memorandum Only)	
Nonexpendable Trust	Pension Trust	June 30, 1987	June 30, 1986
$ 23,819	$ 1,479,768	$ 1,507,435	$ 1,378,500
244		41,037	34,947
		1,171	1,637
			(1,473)
24,063	1,479,768	1,549,643	1,413,611
		57,613	186,266
80,270		162,643	189,519
			257,350
12,655		80,862	54,519
116,988	1,479,768	1,850,761	2,101,265
		52,223	73,123
63,423		70,429	187,242
		62,648	201,711
			293,005
38,014		183,605	67,839
101,437		368,905	822,920
$ 15,551	$ 1,479,768	$ 1,481,856	$ 1,278,345
$ 13,337	$ 7,067	$ 6,391	$ 20,420
117	1,465,103	1,463,228	1,293,896
(298)	7,640	14,843	1,878
226		11,367	(13,481)
(13)		(13)	28
		(18,388)	4,837
(59)		(271)	652
2,514	(42)	11,164	(4,582)
(15)		67	267
		178	(47)
		(1,254)	(923)
		(270)	(14,829)
		(3,590)	(9,701)
		167	182
		(434)	(294)
(258)		(1,329)	42
$ 15,551	$ 1,479,768	$ 1,481,856	$ 1,278,345

COMBINED STATEMENT OF CHANGES IN FUND EQUITY ALL UNIVERSITY FUND TYPES

For the Fiscal Year Ended June 30, 1987

Exhibit A-8

(Expressed in Thousands)

	University Fund Types			Totals (Memorandum Only)	
	Current	Fiduciary	Plant	June 30, 1987	June 30, 1986
Revenues and Other Additions:					
Tuition and Fees	$ 171,085	$	$ 2,445	$ 173,530	$ 165,391
Unrestricted Gifts, Grants & Contracts	305,996			305,996	49,228
Restricted Gifts, Grants & Contracts		21,364	4,551	25,915	241,984
Sales and Services	320,059			320,059	324,715
Investment Earnings	29,694	27,752	10,918	68,364	43,628
Expended for Plant Facilities			171,977	171,977	174,020
Retirement of Indebtedness			29,350	29,350	25,147
Proceeds from Notes and Bonds Issued			10,581	10,581	23,050
Other Revenues and Additions	18,433	1,368	5,949	25,750	30,941
Total Revenues and Other Additions	845,267	50,484	235,771	1,131,522	1,078,104
Expenditures and Other Deductions:					
Educational and General	1,314,336			1,314,336	1,225,249
Auxiliary Enterprise & Internal Service	294,660			294,660	303,484
Administrative and Collection Costs, Loan Cancellation, and Bad Debts		2,711		2,711	2,242
Expended for Plant Facilities			88,785	88,785	97,798
Retirement of Indebtedness			32,285	32,285	20,735
Interest on Indebtness			11,538	11,538	9,550
Disposal of Plant Facilities			28,572	28,572	11,172
Notes and Bonds Issued					21,910
Capital Lease Additions			582	582	2,327
Other Expenditures and Deductions	5,848	1,590	864	8,302	1,320
Total Expenditures and Other Deductions	1,614,844	4,301	162,626	1,781,771	1,695,787
Other Financing Sources (Uses):					
Transfers In	924,038	2,184	249,123	1,175,345	967,339
Transfers Out	(131,202)	(143)	(121,968)	(253,313)	(129,977)
Total Other Financing Sources (Uses)	792,836	2,041	127,155	922,032	837,362
Net Increase in Fund Equity	23,259	48,224	200,300	271,783	219,679
Fund Equity-July 1-as Previously Reported	223,025	185,703	1,951,597	2,360,325	2,126,069
Restatements (Note 3 A)	488	(95)	(3,644)	(3,251)	14,577
Fund Equity - June 30	$ 246,772	$ 233,832	$ 2,148,253	$ 2,628,857	$ 2,360,325

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the State of North Carolina have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of the University Funds have been prepared in conformity with generally accepted accounting principles for colleges and universities as prescribed by the National Association of College and University Business Officers and the American Institute of Certified Public Accountants. Certain amounts presented for the preceding year have been reclassified for comparative purposes.

The financial statements are presented as of and for the fiscal year ended June 30, 1987 except for the U.S.S. North Carolina Battleship Commission whose statements are as of and for the fiscal year ended September 30, 1986 and the North Carolina Deferred Compensation Plan whose statements are as of and for the calendar year ended December 31, 1986.

B. Financial Reporting Entity

For financial reporting purposes the State of North Carolina entity includes all fund types, account groups, departments and agencies of the State, as well as universities and boards, commissions, and authorities, over which the State's executive, legislative and judicial branches exercise oversight responsibility. This is in conformance with the Governmental Accounting Standards Board in their GASB Codification Section 2100. Oversight responsibility is defined to include these considerations:

1. Selection of governing authority;
2. Designation of management;
3. Ability to significantly influence operations;
4. Accountability for fiscal matters;
5. Scope of public service; and/or
6. Special financing relationships.

Based on the application of the GASB Codification Section 2100 criteria, the following organizations in addition to those mentioned above meet the oversight criteria and are included in the accompanying financial statements:

- USS North Carolina Battleship Commission (Enterprise Fund)
- North Carolina State Ports Authority (Enterprise Fund)
- North Carolina Ports Railway Commission (Enterprise Fund)
- North Carolina Housing Finance Authority (Enterprise Fund)
- North Carolina State Education Assistance Authority (Nonexpendable Trust Fund)
- North Carolina Deferred Compensation Plan (Agency Fund)

The following organizations have been determined not to be a part of the reporting entity after applying the manifestations of oversight, scope of public service, or special financing relationships criteria of GASB Codification Section 2100 and are, therefore, excluded from the accompanying financial statements because the State does not control the assets, operations or management of the respective entities:

- Community Colleges
- Local School Administrative Units
- Local Alcohol and Beverage Control Boards and Stores
- North Carolina Microelectronics Center
- North Carolina Biotechnology Center

C. Fund Accounting

The financial activities of the State are organized on a basis of individual funds and account groups, each of which is a separate accounting entity segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. The financial activities of the State accounted for in the accompanying financial statements have been classified into the following fund categories and account groups:

1. GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the State are financed. The acquisition, use and balances of the State's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources), rather than upon net income determination.

The following are the State's governmental funds:

a. GENERAL FUND - All financial resources received and used for services traditionally provided by a State government,which are not required to be accounted for in other funds, are accounted for in the General Fund. These services include general government; public safety and regulation; education (other than institutions of higher education); health, welfare and rehabilitation; resource development and preservation; and agriculture.

b. SPECIAL REVENUE FUNDS - Transactions related to resources obtained from specific revenue sources (other than for expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes are accounted for in Special Revenue Funds. Special Revenue Funds account for highway maintenance and construction, activities funded by the issuance of General Obligation Bonds, and other resources restricted as to purpose.

c. DEBT SERVICE FUND - Transactions related to resources obtained and accumulated to pay interest and principal on general long-term obligations (other than capital leases, compensated absences and unfunded retirement costs) are generally accounted for in Debt Service Funds.

d. CAPITAL PROJECTS FUND - Transactions related to resources obtained and used for the acquisition, construction or improvement of major governmental general fixed assets are accounted for in Capital Projects Funds. Such resources are derived principally from proceeds of General Obligation Bond issues and operating transfers from the General Fund.

2. PROPRIETARY FUNDS

Proprietary funds are used to account for the State's ongoing activities which are similar to those often found in the private sector. The proprietary fund measurement focus is upon determination of net income, financial position, and changes in financial position. The generally accepted accounting principles used are those applicable to similar businesses in the private sector; thus, these funds are reported on the accrual basis of accounting. The following are the State's proprietary funds:

a. ENTERPRISE FUNDS - Enterprise Funds account for operations of State government that are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges. The acquisition, maintenance and improvement of physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation), Federal grants and other State funds.

b. INTERNAL SERVICE FUNDS - Internal Service Funds account for the operations of State agencies that provide services to other State agencies, departments or other governmental units on a cost reimbursement basis.

3. FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the State's fiduciary funds:

TRUST FUNDS

a. EXPENDABLE - Expendable Trust Funds account for assets held by the State in a trustee capacity where the principal and income may be expended in the course of the funds' designated operations.

b. NONEXPENDABLE - Nonexpendable Trust Funds account for assets held by the State in a trustee capacity where only income derived from the principal may be expended in the course of the funds' designated operations. The principal must be preserved intact.

c. PENSION - Pension Trust Funds account for transactions, assets, liabilities, and net assets available for plan benefits of the various State public employee retirement systems.

AGENCY FUNDS

Agency Funds account for the various taxes, deposits, deductions, and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

4. ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the State's General Fixed Assets and General Long-Term Obligations and do not involve measurement of operations.

a. GENERAL FIXED ASSETS ACCOUNT GROUP - This group of accounts is established to account for fixed assets acquired for general government purposes, except those accounted for in proprietary funds or University Funds.

b. GENERAL LONG-TERM OBLIGATIONS - This group of accounts is established to account for General Long Term Obligations for general government purposes except for those accounted for in proprietary funds, Nonexpendable Trust Funds, or University Funds.

5. UNIVERSITY FUNDS

University Funds account for the operations of State universities, in accordance with existing authoritative accounting and reporting principles applicable to universities. Accordingly, the University funds are an aggregation of the following funds:

a. CURRENT FUNDS - Current funds account for economic resources of the institution which are expendable for any purpose in performing the primary objectives of the institution and which have not been designated by the governing body for any other purposes. Resources restricted for specific current operating purposes by a donor or other external agency are accounted for as Restricted Current Funds.

b. FIDUCIARY FUNDS

- Loan - Loan Funds account for resources available for loans to students, staff and faculty.
- Endowment - Endowment and similar funds are similar to Trust Funds in that they must be administered in accordance with the terms of the applicable agreements.

c. PLANT FUNDS - Plant Funds consist of resources available to acquire or repair institutional properties, to service debt incurred to acquire such properties and the cost of fixed assets and the sources from which the cost is funded, including associated liabilities. The Plant Funds resources and activities are accounted for in three sub-groups which are: Unexpended, Debt Service and Investment in Plant.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied.

GOVERNMENTAL FUNDS AND EXPENDABLE TRUST FUNDS

The accounts of the General, Special Revenue, Debt Service, Capital Projects and Expendable Trust Funds are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available to finance operations during the year or liquidate liabilities existing at the end of the year; expenditures and liabilities are recognized upon receipt of goods and services. Modifications to the accrual basis of accounting include:

- Accumulated unpaid vacation and sick pay is not accrued;
- Inventories generally are considered expenditures at acquisition;
- Prepayments usually are not recorded; and
- Interest on long-term debt is recorded when due.

PROPRIETARY FUNDS, NONEXPENDABLE TRUST FUNDS AND PENSION TRUST FUNDS

The accounts of the Enterprise, Internal Service, Nonexpendable Trust and Pension Trust Funds are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

UNIVERSITY FUNDS

The accounts of the University Funds are reported using the accrual basis of accounting with the following exceptions:

- Depreciation expense related to Plant Fund assets is not recorded.
- Revenues and expenditures of an academic term encompassing more than one fiscal year are solely reported in the fiscal year in which the program is predominately conducted.

E. Budgetary Process

The State of North Carolina operates on a biennial budget cycle with departmental certified budgets adopted on the cash basis of accounting for the General, Special Revenue, and Capital Projects Funds. Separate budgets are adopted by the General Assembly for each year, except for the Capital Projects Fund and Special Revenue Bond Funds, which are budgeted on a project basis. These funds are, therefore, not included on the budgetary comparison statements. Since the budget basis differs from generally accepted accounting principles (GAAP), actual amounts in the accompanying budgetary comparison statements are presented on the budgetary basis. A reconciliation between the budgetary basis and the GAAP basis is presented in Exhibits A-3, A-4 and A-5.

Budgetary control is exercised at the departmental level. The "Certified Budget" is the legal expenditure authority created by the appropriation bills which are signed into law by the N. C. State Legislature. The departments and universities are permitted to overexpend their "Certified Budget" within prescribed guidelines as authorized by the State Legislature and approved by the Office of State Budget and Management (OSBM). The "Certified Budget" plus the approved amount to overexpend results in the "Final Budget" for each department and University as presented in the accompanying financial statements. In certain emergency situations, the OSBM, with Council of State approval, may allot additional funds from the contingency and emergency appropriation reserves. Appropriations lapse at the end of each fiscal year.

An encumbrance system is maintained by most state departments to account for commitments resulting from approved purchase orders, work orders and contracts. Encumbrances at year end represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders in process are completed. Encumbrances at year end do not constitute expenditures or liabilities. Encumbrances outstanding at year end for unfulfilled obligations of the current year budget are re-established in the succeeding year and expended from that year's appropriations.

Detailed appropriation and departmental budget information is available through the Office of State Budget and Management, 116 West Jones Street, Raleigh, N. C. 27611.

F. Cash and Cash Equivalents

This classification includes undeposited receipts, petty cash, bank accounts, certificates of deposit, and pooled cash accounts (Short-Term Investment Pool and Liquid Asset Pool) managed by the State Treasurer.

G. Investments

This classification includes long-term pooled investments stated at cost and long-term non-pooled investments that are stated at cost or amortized cost.

H. Receivables and Interfund Receivables

Receivables in the State's governmental and fiduciary funds primarily consist of tax, interest and federal revenues. Receivables in proprietary and University funds occur in the normal course of business. Quasi-external transactions and reimbursements between State departments are classified in this account.

Interfund receivables consist of transfers between departments of State Government. Operating transfers and residual equity transfers are classified in this account.

I. Inventories

Inventories, consisting of materials and supplies held for consumption, are valued at cost on the first-in, first-out basis for all governmental and most University funds, except for the Special Revenue - Highway Fund maintenance and construction inventories which are valued on a moving weighted average basis. Inventories of proprietary funds are valued on the moving weighted average basis. In addition, some University book stores utilize the retail inventory system.

Except for the Special Revenue - Highway Fund, the cost of inventory items in governmental funds is recorded as an expenditure when purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The proprietary, University and the Special Revenue - Highway Fund maintenance and construction inventories are recognized when consumed.

J. Fixed Assets and Depreciation

General fixed assets are recorded as expenditures in the governmental funds and are capitalized at cost in the General Fixed Assets Account Group, except for certain public domain assets such as highways, bridges, highway lands and right-of-ways. When historical cost is not available fixed assets are valued at estimated historical cost. Fixed assets acquired by proprietary funds are reported in those funds at cost or estimated historical cost (net of accumulated depreciation). University fixed assets are reported at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated.

The Department of Transportation and the Department of Natural Resources and Community Development do not have adequate fixed asset systems to allow them to accurately report their general fixed assets and changes in their general fixed assets. Also, State Park lands are not reported in the General Fixed Assets Account Group. The amounts of the misstatements for the above items cannot be readily determined.

No depreciation is provided on general and University fixed assets. The depreciation methods used by proprietary funds are:

	Method	Estimated Useful Life
Machinery and Equipment..................	Straight-Line	3-20 years
Motor Vehicles & Motorized Equipment......	Straight-Line or Units of Output	3-20 years
Buildings and Fixed Equipment............	Straight Line	10-50 years
Other Structures & Improvements..........	Straight Line	10-50 years

K. Lease Obligations

All leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the Legislature. For reporting purposes, leases are fully disclosed since cancellation due to lack of appropriation is deemed unlikely. Capitalizable leases (as defined in FASB 13), if any, have been treated in accordance with FASB 13. See Note 3 H.

L. Fund Balance Reserves and Designations

The State's fund balance reserves represent those portions of fund balance not available for appropriation or legally segregated for a specific future use. Designations of unreserved fund balances indicate the State's tentative plans for use of financial resources in a future period. Refer to Note 3 J for disclosure on reserves and designations.

M. Revenues

Taxes - Most tax revenues are self-assessed by taxpayers and recognized as revenue when cash is received. However, if taxpayer liability and collectability can be clearly established, as when tax returns have been filed but collection is delayed, a receivable is recorded; revenue is then accrued if available to pay current-period liabilities, or otherwise deferred until collection is made.

Federal Grant Revenues - All federal grants are recorded as receivables and as revenues when the related expenditures are incurred. Grants received before the revenue recognition criteria has been met are reported as deferred revenue.

N. Accumulated Unpaid Vacation and Sick Leave

The expenditure for vacation and sick leave is recorded when the leave is taken in all governmental funds, except Special Revenue - Highway Fund. In the Highway Fund, vacation and sick leave is expended as it is earned for those employees whose time is chargeable to federal participation projects. All other Highway employees follow the governmental fund's example. The State's liability for accumulated unpaid vacation leave is reported in the accompanying General Long-Term Obligations Account Group for all governmental funds. There is no liability in the accompanying financial statements for unpaid accumulated sick leave since it is the State's policy to record the cost of sick leave only when paid. See Note 3 F for disclosure of the amount of this contingency.

The expense for vacation leave is recorded when the leave is earned in proprietary funds. In University Funds a year-end adjustment is recorded to reflect the current vacation leave expense. The expense for sick leave is recorded when the leave is taken. In the proprietary funds and University funds, the liability for accumulated unpaid vacation leave is reported as a current liability. For the same reasons as in governmental funds above, no liability for unpaid accumulated sick leave is recorded. Although these funds are proprietary in nature, the ultimate liability for unpaid vacation and sick leave rests with the State as a whole.

O. Interfund Transactions

During the course of normal operations the State has numerous transactions between and within fund types, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers except for retirement contributions made by the State which are accounted for as revenues in the Pension Trust Funds and expenditures/expenses in the contributing funds. All intrafund transactions included in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances have not been eliminated and interfund receivables/payables included in the Combined Balance Sheet do not reconcile, because an accounting mechanism to assure proper recordation is not in place. Therefore, contrary to generally accepted accounting principles, operating transfers and interfund receivables/payables are misstated by an amount not readily determinable, and detailed note disclosure of interfund receivables/payables balances is not reported.

Internal Service Funds record charges for services to all State Funds as operating revenue. All State Funds record these payments to the Internal Service Funds as current expenditures/operating expenses.

P. Totals - Memorandum Only

The "Totals - Memorandum Only" column represents an aggregation of the individual combined financial statements. The totals column is presented for overview informational purposes and does not represent consolidated financial information.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Retained Earnings/Fund Balance Deficit

At the end of fiscal year 1986 the State Health Plan (Expendable Trust Fund) had a $16,146,000 fund balance deficit, which resulted from recording in 1985-86 a $56,860,000 liability for all claims incurred but not paid. This liability was determined by the Plan's actuary. The results of operations in fiscal year 1987 increased the deficit to $34,977,000 at June 30, 1987.

NOTE 3: DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Fund Equity Restatement

Fund equity as of July 1, 1986 has been restated for certain accounting changes to conform to generally accepted accounting principles. Adjustments due to prior year accruals resulted from (1) recording fixed assets which existed but were previously unreported in the Enterprise Fund, and (2) correcting errors in recognizing accruals of revenues and expenditures/expenses as of the fiscal year ended June 30, 1986. These changes have been reported in the accompanying financial statements by restating beginning fund equity (expressed in thousands):

		Restatements			
Funds	Balances as Previously Reported at June 30, 1986	Fund Classifications	Prior Year Adjustments	Total Restatements	Balances as Restated at July 1, 1986
Governmental Funds:					
General	$ 521,141	$	$(12,658)	$(12,658)	$ 508,483
Special Revenue	306,683		175	175	306,858
Capital Projects	125,180		143	143	125,323
Proprietary Funds:					
Enterprise	253,780		(148)	(148)	253,632
Internal Service	188,714		(272)	(272)	188,442
Fiduciary Funds:					
Expendable Trust	1,172,497	(4)	403	399	1,172,896
Nonexpendable Trust	141,289		(2)	(2)	141,287
Pension Trust	10,084,993		3,603	3,603	10,088,596
University Funds:					
Current	223,025		488	488	223,513
Fiduciary	185,703		(95)	(95)	185,608
Plant	1,951,597		(3,644)	(3,644)	1,947,953

B. Cash in Bank and Investments

The State maintains a cash and investment pool, under the control of the State Treasurer, that is available for use by all agencies. These funds are pooled into a general account from which investments are made in a variety of instruments. The amounts shown on the combined balance sheet as Cash and Cash Equivalents, Cash With Fiscal Agents and Investments are the balances as recorded in the State Accounting System. The balances shown in the following sections as Demand and Time Deposits and Investments reflect the manner of investment of available funds in the State's central cash and investment pool, in order to disclose the collateralization and level of risk associated with those funds.

In addition to the cash and investment pool, other funds are directly controlled by the various state departments and institutions, and are included in the accounts discussed above.

DEMAND AND TIME DEPOSITS

Deposits may be made in any bank, savings and loan association or trust company in the State approved by the State Treasurer, provided the total balance is either insured or collateralized. Depositories are required, in accordance with the rules in 20 NCAC 7, to collateralize all balances of the State Treasurer which are not insured. Basically, these rules require that the bank transfer to an escrow account established by the State Treasurer securities of a type enumerated in the rules in an amount whose par value is not less than the amount of the time deposits and the average balance of demand deposits for the preceding quarter less the allowable deposit insurance on the deposits. Generally, rules require the securities to be governmental in origin (e.g. U.S. Treasury and Agency obligations or State and Local obligations) plus the highest grade commercial paper and bankers' acceptances. Each bank may elect to collateralize State deposits separately (Option 1) or to include the deposits of North Carolina local government units in the same collateral pool with the State (Option 2). Banks report only quarterly on bank balances and amounts deposited in escrow as collateralizations of deposits. The State maintains no records of bank balances of local governments collateralized in the pool with State deposits. Since the market value of the securities pledged as collateral and the amounts of local government deposits in Option 2 banks are not known, the State's risk of being undercollateralized at any given time is increased.

State deposits (maintained by the State Treasurer) at June 30, 1987 consisted of (in thousands):

	Carrying Amount	Bank Balances
Demand Deposits	$ 58,056	$ 69,549
Time Deposits:		
Short-Term	264,652	264,652
Long-Term	11,150	11,150
Total Deposits	$ 333,858	$ 345,351

Seventy-seven percent of the above bank balances are deposited in Option 2 banks. Because the banks complied with the collateralization policies and procedures described above, the State considers all of its deposits to be either insured or covered by collateral held by the State's agent.

In addition to the State's deposits maintained by the State Treasurer, other deposits are maintained by certain State agencies and institutions. At June 30, 1987 the carrying amount of these deposits (expressed in thousands) was $162,768 and the bank balance was $169,527. Of these balances (expressed in thousands), $105,246 was covered by federal depository insurance or by collateral held by the State's agent in the State's name, $41,980 was covered by collateral held in the pledging bank's trust department in the State's name, and $22,301 was unsecured and uncollateralized. In addition, the North Carolina Employment Security Commission had $1.178 billion on deposit with the U.S. Treasurer at June 30, 1987.

INVESTMENTS

General Statutes 147-69.1(c) and 147-69.2 authorize the State Treasurer to invest in the following:

(1) Obligations of or fully guaranteed by the United States and certain federal agencies;
(2) Obligations of the State of North Carolina;
(3) Savings certificates issued by specified savings and loan associations;
(4) Certificates of deposit issued by specified banks;
(5) Shares of or deposits in specified savings and loan associations;
(6) Prime quality commercial paper bearing specified ratings;
(7) Bills of exchange or time drafts drawn on and accepted by specified commercial banks and eligible for use as collateral by member banks in borrowing from a Federal Reserve Bank;
(8) General obligations of other states in the United States;

(9) General obligations of cities, counties and special districts in North Carolina;

(10) Obligations of any company incorporated in the United States bearing specified ratings;

(11) Notes secured by mortgages insured by the Federal Housing Administration or guaranteed by the Veterans Administration on real estate located within the State of North Carolina;

(12) With respect to the Retirement Systems' assets, (a) certain insurance contracts, (b) group trusts, (c) individual, common or collective trust funds of banks and trusts companies, (d) certain real estate investment funds, and (e) certain specified preferred or common stocks issued by a company incorporated within the United States.

The State's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the State's name.

Investments maintained in investment pools by the State Treasurer include the following (expressed in thousands):

	Carrying Amount				
	Category			Total Amount	Market Value
	1	2	3		
U.S. Government Securities	$ 5,779,799	$	$	$ 5,779,799	$ 6,231,005
Corporate Bonds	5,456,451			5,456,451	5,368,773
Corporate Common Stock	2,012,271			2,012,271	3,123,664
Repurchase Agreements	43,818	12,000		55,818	55,818
Commercial Paper	141,010			141,010	141,020
Bankers' Acceptances	19,909			19,909	19,912
	$13,453,258	$ 12,000	$	13,465,258	14,940,192
Investments Not Categorized:					
Certificates of Deposit				275,802	277,602
Mutual Funds				58,220	77,434
Real Estate Trust Funds				158,219	162,804
Total Investments				$13,957,499	$15,458,032

Due to significantly higher cash flows at certain times during the year, the State Treasurer may invest in overnight repurchase agreements for which the underlying securities were held by the dealer.

Investments maintained by the various agencies and institutions (separate from those maintained by the State Treasurer, listed above) include the following (expressed in thousands):

	Carrying Amount			
	Category			Total
	1	2	3	Amount
U.S. Government Securities......................	$ 35,278	$ 99	$ 829	$ 36,206
State and Municipal Securities..................	160,786			160,786
Corporate Securities............................	9,034	638	1,446	11,118
Repurchase Agreements...........................	33,558		1,158	34,716
Commercial Paper................................			5,141	5,141
	$ 238,656	$ 737	$ 8,574	247,967
Investments Not Categorized:				
Real Estate.....................................				2,661
Other Investments...............................				588,388
Total Investments...............................				$ 839,016
Market Value....................................				$ 978,780

C. Receivables

Components of the State's receivables at June 30, 1987 are (expressed in thousands):

Funds	Accounts Receivable	Other Governments	Investment Earnings	Contributions and Premiums	Totals
Governmental Funds:					
General................	$ 67,613	$ 154,669	$ 12,280	$	$ 234,562
Special................	5,654	50,062	2,873		58,589
Debt Service..........			4		4
Capital Projects......	146	226			372
Total Governmental..	73,413	204,957	15,157		293,527
Proprietary Funds:					
Enterprise............	33,579	3,065	2,798		39,442
Internal Service......	8,401	5,361			13,762
Total Proprietary...	41,980	8,426	2,798		53,204
Fiduciary Funds:					
Expendable Trust......	19,574	2,173	623	4,706	27,076
Nonexpendable Trust...	68	1,927	1,234		3,229
Pension Trust.........	166		515	75,360	76,041
Agency............	837	1,278	208	1,778	4,101
Total Fiduciary.....	20,645	5,378	2,580	81,844	110,447
University Funds:					
Current...............	42,780	10,914	3,781		57,475
Fiduciary.............	190	93	605		888
Plant.................	1,451		2,581		4,032
Total University....	44,421	11,007	6,967		62,395
Total Receivables...	$ 180,459	$ 229,768	$ 27,502	$ 81,844	$ 519,573

D. Changes in General Fixed Assets

A statement of changes in General Fixed Assets for the year ended June 30, 1987 is (expressed in thousands):

	Balance July 1, 1986	Prior Year Asset Adjustments	Additions	Deletions	June 30, 1987
Land and Improvements	$ 94,401	$ (2,460)	$ 3,278	$ 47	$ 95,172
Buildings and Fixed Equipment	650,806	11,530	9,898	24,176	648,058
Machinery and Equipment	251,261	(3,122)	51,309	18,048	281,400
Motor Vehicles and Motorized Equipment	50,144	3,607	13,139	5,178	61,712
Art Works and Literature	24,939	79	1,678	103	26,593
Construction in Progress	45,401	(347)	35,412	12,593	67,873
Total General Fixed Assets	$ 1,116,952	$ 9,287	$ 114,714	$ 60,145	$ 1,180,808

E. Summary of Proprietary Funds and University Funds Fixed Assets

A summary of proprietary funds' and University Funds' fixed assets at June 30, 1987 is (expressed in thousands):

	Proprietary Funds		University Funds	
	Enterprise	Internal Service	Fiduciary	Plant
Land and Improvements	$ 20,778	$ 3,185	$ 10,527	$ 105,734
Buildings and Fixed Equipment	139,793	14,930	341	1,036,731
Other Structures and Improvements	482	3,329		59,186
Machinery and Equipment	97,725	37,344	31	459,514
Motor Vehicles and Motorized Equipment	217	213,766		4,105
Art Works, Literature and Artifacts			37	293,865
Construction in Progress	7,470	1,123		137,412
Total Fixed Assets (Gross)	266,465	273,677	10,936	2,096,547
Accumulated Depreciation	97,664	140,781		
Total Fixed Assets (Net)	$ 168,801	$ 132,896	$ 10,936	$ 2,096,547

F. Accumulated Unpaid Vacation and Sick Leave

Employees earn vacation leave ranging from 0.98 to 2.15 days per month depending upon years of service. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is 30 days. At termination, employees are paid for any accumulated vacation leave. Employees earn sick leave at the rate of one day per month with an unlimited accumulation. Employees are not paid for accumulated sick leave upon termination; however, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement. The contingent liability for accumulated sick leave has not been recorded in the accounts of the various funds. See Note 1.

The liability for accumulated unpaid vacation leave and the contingent liability for accumulated unpaid sick leave at June 30, 1987 are (expressed in thousands):

	June 30, 1987 All Funds
Vacation Leave Liability...............	$ 125,666
Sick Leave Contingent Liability........	394,049

G. Construction Commitments

At June 30, 1987, the State had commitments of approximately $344.0 million for construction of highway facilities. Future expenditures related to these commitments are expected to be financed from $269.4 million of Federal aid, $.1 million from bond proceeds, $.1 million from county governments, and $74.4 million from motor fuel taxes. Other commitments of the State include $33.5 million for construction and improvements of government facilities and $117.7 million for construction contracts at universities.

H. Lease Obligations

The State has entered into various operating and capital leases for office space and office, communications, computer and other equipment.

Assets acquired through capital leasing are generally valued at the present value of the lease payments. Capital leases for the governmental funds are reported in the General Long-Term Obligation Account Group and the related assets are reported in the General Fixed Assets Account Group. Capital leases for the proprietary funds and the University Funds are reported in those funds along with the related assets.

Operating leases are not recorded on the balance sheet. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred.

Future minimum lease commitments for noncancelable operating leases and capital leases as of June 30, 1987 are (expressed in thousands):

		Capital Leases				
Fiscal Year	Operating Leases	Long-Term Obligation Account Group	Enterprise Funds	Internal Service Funds	University Funds	Total
1988	$ 8,635	$ 524	$ 14	$ 4,466	$ 4,436	$ 9,440
1989	5,263	367	6	4,164	3,838	8,375
1990	2,616	199	1	2,215	3,053	5,468
1991	1,295	132		615	2,206	2,953
1992	514	18			284	302
Thereafter	267					
Total Future Minimum Lease Payments	$ 18,590	1,240	21	11,460	13,817	$ 26,538
Less: Amounts Representing Interest		163	3	1,032	1,725	
Present Value of Future Minimum Lease Payments		$ 1,077	$ 18	$ 10,428	$ 12,092	

I. Long-Term Obligations

Long-Term Obligations at June 30, 1987 and changes in those obligations are (expressed in thousands):

General Long-Term Obligations Account Group	Obligations Payable July 1, 1986	Obligations Issued	Obligations Matured	Bonds Refunded	Obligations Payable June 30, 1987
Accounts Payable	$ 1,743	$ 11,481	$ 614	$	$ 12,610
Capital Leases Payable	5,527	456	4,906		1,077
Accrued Vacation Leave	85,971	3,026			88,997
Revenue Bonds:					
Horse and Livestock Facility	1,386		122		1,264
Alcoholic Beverage Control Commission	4,350		450		3,900
Total Revenue Bonds	5,736		572		5,164
Serial Bonds:					
Capital Improvement, 12-1-71	18,000		4,000		14,000
Public Sch. Fac., Series A, 12-1-74	29,000		4,000		25,000
Clean Water, Series A, 12-1-74	15,000		1,500		13,500
Public Sch. Fac., Series B, 12-1-75	66,000			66,000	
Clean Water, Series B, 12-1-75	11,000			11,000	
Public Sch. Fac., Series C, 6-1-76	37,500		2,500		35,000
Clean Water, Series C, 6-1-76	18,500		1,500		17,000
Public Improvement, 12-1-76	53,000		5,000		48,000
Public Improvement, 6-1-77	38,000		4,000		34,000
Public Improvement, 11-1-78	39,000		2,000		37,000
Public Improve., Series 1979, 11-1-79	49,000		3,000		46,000
Clean Water, Series C, 7-1-81	35,000		1,000	34,000	
Clean Water, Series D, 5-1-82	18,000			18,000	
Clean Water, Series 1983, 5-1-83	81,000			81,000	
Public Improvement Refunding Series 1986, 7-1-86		210,000			210,000
Clean Water, Series 1987, 6-1-87		46,000			46,000
Total General Fund	508,000	256,000	28,500	210,000	525,500
Highway, 2-1-67	3,000			3,000	
Highway, 8-1-67	4,000			4,000	
Highway, 5-1-78	43,000			43,000	
Highway, 7-1-79	44,000		3,000	41,000	
Highway, 12-1-80	48,000			48,000	
Highway, 7-1-81	41,000		1,000	40,000	
Highway, 5-1-82	71,000			71,000	
Highway Refunding Series 1986, 7-1-86		250,000			250,000
Total Highway	254,000	250,000	4,000	250,000	250,000
Total Serial Bonds	762,000	506,000	32,500	460,000	775,500
Total General Long-term Obligations	$ 860,977	$ 520,963	$ 38,592	$ 460,000	$ 883,348

Enterprise Funds	July 1, 1986	Additions	Deductions	Balance June 30, 1987
Revenue Bonds				
Revenue Bonds Payable (net of discount)	$ 805,488	$ 57,981	$ 128,348	$ 735,121
Capital Leases				
Capital Leases Payable	18		12	6
Other Obligations				
Notes Payable	1,028		265	763
Deposits Payable		240		240
Due to Other Governments	358		358	
Obligations for Worker's Compensation	78		17	61
Total Enterprise Fund Long-Term Obligations	$ 806,970	$ 58,221	$ 129,000	$ 736,191
Internal Service Funds				
Revenue Bonds				
Revenue Bonds Payable	$ 1,475	$	$ 60	$ 1,415
Capital Leases				
Capital Leases Payable	7,269	9,591	10,336	6,524
Other Obligations				
Notes Payable	34			34
Interfund Payable		2,792		2,792
Total Internal Service Funds Long-Term Obligations	$ 8,778	$ 12,383	$ 10,396	$ 10,765
Nonexpendable Trust Funds				
Revenue Bonds				
Revenue Bonds Payable	$ 59,410	$	$ 33,790	$ 25,620
University Funds				
Revenue Bonds				
Revenue Bonds Payable	$ 124,891	$ 124,542	$ 14,012	$ 235,421
Capital Leases				
Capital Leases	10,856	8,415	7,179	12,092
Other Obligations				
Notes Payable	59,982	5,266	32,513	32,735
Total University Funds Long-Term Obligations	$ 195,729	$ 138,223	$ 53,704	$ 280,248

The full faith, credit, and taxing power of the State has been pledged only for the payment of the principal of and the interest on the General Obligation Serial Bonds. Other long-term debts of the State are payable solely from certain resources of the funds to which they relate.

This schedule shows the annual debt service requirements to pay principal and interest on the General Obligation Bonds and Revenue Bonds of the various fund types outstanding at June 30, 1987 (expressed in thousands):

	Annual Requirements				
Fiscal Year	General Obligation	Enterprise	Internal Service	Nonexpendable Trust	University Revenue
1988	$ 113,227	$ 74,871	$ 60	$ 5,497	$ 20,462
1989	110,042	78,951	65	5,270	20,296
1990	108,736	78,670	70	4,083	20,279
1991	105,034	78,229	75	3,902	20,208
1992	103,364	78,025	85	871	20,162
Thereafter	511,057	2,720,643	1,120	11,877	357,785
Total Requirements	1,051,460	3,109,389	1,475	31,500	459,192
Less:					
Unamortized Discount		13,418			1,895
Interest Requirements	270,796	2,345,286		5,880	221,876
Total Principal Requirements	$ 780,664	$ 750,685	$ 1,475	$ 25,620	$ 235,421
Current portion		$ 15,564	$ 60		
Long-term portion		$ 735,121	$ 1,415		

The N.C Housing Finance Agency comprises the major portion of the Enterprise Fund annual requirements listed in the schedule above. The following schedule discloses the annual debt service requirements for the N.C. Housing Finance Agency only (in thousands).

Fiscal Year	Principal	Interest	Total
1988	$ 16,290	$ 58,023	$ 74,313
1989	17,795	60,237	78,032
1990	18,785	58,961	77,746
1991	19,735	57,565	77,300
1992	21,040	56,047	77,087
1993-1997	121,472	268,242	389,714
1998-2002	72,070	255,602	327,672
2003-2007	170,737	210,898	381,635
2008-2012	120,344	150,303	270,647
2013-2017	74,492	446,074	520,566
2018-2022	15,954	64,344	80,298
2023-2027	84,420	272,802	357,222
2028-2034	1,078	383,206	384,284
Total Requirements	$ 754,212	$ 2,342,304	3,096,516
Less:			
Unamortized Discount			13,418
Interest Requirements			2,342,304
Total Principal Requirements			$ 740,794

Bond Defeasance

On July 8, 1986, the State of North Carolina issued $210,000,000 in Public Improvement Advance Refunding Bonds and $250,000,000 in Highway Fund Advance Refunding Bonds at average interest rates of 6.5421 percent and 6.1856 percent respectively. The Public Improvement Bonds were issued for the purpose of refunding the outstanding $34,000,000 Clean Water Bonds of 1977, Series C; $18,000,000 Clean Water Bonds of 1977, Series D; $81,000,000 Clean Water Bonds, Series 1983; $11,000,000 Clean Water Bonds, Series B; and $66,000,000 Public School Facilities Bonds of 1973, Series B. The Highway Refunding Bonds were issued for the purpose of refunding the outstanding $3,000,000 Highway Bonds dated February 1, 1967; $4,000,000 Highway Bonds dated August 1, 1967; $43,000,000 Highway Bonds Series 1978 dated May 1, 1978; $41,000,000 Highway Bonds, Series 1979, dated July 1, 1979; $48,000,000 Highway Bonds, Series 1980, dated December 1, 1980; $40,000,000 Highway Bonds, Series 1981, dated July 1, 1981; $71,000,000 Highway Bonds, Series 1982, dated May 1, 1982. The refunded bond issues of $210,000,000 Public Improvement Bonds and $250,000,000 Highway Bonds will be retired at maturity or call date from the proceeds of an escrow account with Chase Manhattan Bank invested solely in U.S. Government securities. The $209,755,180 of Public Improvement Bonds (net of $246,161 in issuance costs) and $249,715,690 of Highway Bonds proceeds (net of $290,716 in issuance costs) plus an additional $11,319,338 for Public Improvement and $17,774,956 for Highway were used to purchase U.S. Government securities which were deposited in irrevocable trusts with an escrow agent. The escrow agent is to provide for all future debt service payments on the refunded bonds. As a result the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the General Long-Term Obligations Account Group.

The following schedule shows the activity of the Defeased Bonds for the past year (expressed in thousands).

	Amount Defeased	Obligations Matured	Balance June 30, 1987
Public Sch.Fac., Series B, 12-1-75	$ 66,000	$ 6,000	$ 60,000
Clean Water, Series B, 12-1-75	11,000	1,000	10,000
Clean Water, Series C, 7-1-81	34,000		34,000
Clean Water, Series D, 5-1-82	18,000	1,000	17,000
Clean Water, Series 1983, 5-1-83	81,000	3,000	78,000
Highway, 2-1-67	3,000	3,000	
Highway, 8-1-67	4,000	2,000	2,000
Highway, 5-1-78	43,000	3,000	40,000
Highway, 7-1-79	41,000		41,000
Highway, 12-1-80	48,000	3,000	45,000
Highway, 7-1-81	40,000		40,000
Highway, 5-1-82	71,000	4,000	67,000
Total	$ 460,000	$ 26,000	$ 434,000

J. Reserved Retained Earnings/Fund Balances

The State's Reserved Retained Earnings/Fund Balances at June 30, 1987 are (expressed in thousands):

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Totals
Fund Balances Reserved for:				
Inventory of Supplies................	$ 24,696	$ 5,309	$	$ 30,005
Clean Water Projects................	80,726			80,726
Energy Conservation.................	74,140			74,140
Indigent Defendant Program..........	726			726
War Memorial........................	450			450
Marine Center Stores................	46			46
Library Construction................	14			14
Investments.........................	5,235			5,235
Vacation and Sick Leave.............		37,080		37,080
Debt Service........................			4,180	4,180
Building Renovation.................		4,516		4,516
Future Claims.......................		4,923		4,923
Other Reserves......................	17	1,280		1,297
Total Fund Balances Reserved..........	$ 186,050	$ 53,108	$ 4,180	$ 243,338

	Fiduciary Funds			
	Expendable Trust	Nonexpendable Trust	Pension Trust	Totals
Fund Balances Reserved for:				
Inventory of Supplies................	$ 265	$	$	$ 265
Claims and Benefits.................	1,370,769	40,420		1,411,189
Retirememt Systems..................			11,568,364	11,568,364
Loan Programs.......................	35,293	111,094		146,387
Refunds.............................	7,058			7,058
Other Reserves......................	13,683	13,592		27,275
Total Fund Balances Reserved..........	$ 1,427,068	$ 165,106	$ 11,568,364	$ 13,160,538

	University Funds			
	Current	Fiduciary	Plant	Totals
Fund Balances Reserved for:				
Loans...............................	$	$ 65,602	$	$ 65,602
Endowments..........................		168,230		168,230
Revenue Bond Retirement.............			16,474	16,474
Other Reserves......................			9,455	9,455
Total Fund Balances Reserved..........	$	$ 233,832	$ 25,929	$ 259,761

K. Self-Insurance

The State self-insures for these types of risk:

1. Fire and other property losses are paid from the State Property Fire Insurance Fund (Nonexpendable Trust Fund) which is financed by rates charged to the participating funds of the State. Private insurance companies provide reinsurance coverage so that the fund may only sustain aggregate uninsured losses of $2 million in any one fiscal year.

2. Hospital and medical care benefits are provided to the State's full-time employees and retirees by the Teachers' and State Employees' Comprehensive Major Medical Plan (Expendable Trust Fund). The program is funded through employer and employee contributions. A board of trustees appointed by the Governor, the Lieutenant Governor and Speaker of the House provides advisory assistance on policy issues to the Executive Administrator, who is appointed by the Commissioner of Insurance after conferring with the Legislative Committee. Benefits are prescribed by law (G.S. 135-40) and the program is administered and overseen by the Executive Administrator. Claims are handled by an independent claims contractor for the self-insured plan. Optional (HMO) plans have also been made available to Plan beneficiaries by independent HMO contractors.

3. Group life insurance benefits are provided to the State's teachers and employees who are members of the Teachers' and State Employees' Retirement System by the North Carolina Teachers' and State Employees' Benefit Trust (Expendable Trust Fund). The program is funded through employer contributions based on a percentage of their payrolls as determined by an actuary on a one-year term cost basis. For fiscal year 1986-87 the State contributed $9.1 million to the Benefit Trust for group life insurance benefits.

4. Medical malpractice protection is provided by the University of North Carolina (UNC) Self-Insurance Fund (University-Fiduciary Fund) for participants and individual health care practitioners working as employers, agents or officers of North Carolina Memorial Hospital and the UNC Medical Faculty Practice Plan. The program is funded through participant contributions, and is administered by the Liability Insurance Trust Fund Council which is appointed by the UNC Board of Governors. Excess liability insurance coverage of up to $25 million has been purchased from private insurance companies. This coverage provides payments whenever losses attributable to a single occurrence are greater than $2 million or whenever payments during a single occurrence year exceed $10 million.

5. For workers compensation and unemployment compensation claims, the State is generally self-insured and funds such liabilities on a pay-as-you-go basis.

L. Residual Equity Transfers

During the 1986-87 fiscal year the residual equity transfers were (expressed in thousands):

Transfer From		Transfer To			
Fund	Fund Type	Fund	Fund Type	Amount	Reason
Business Enterprises	Enterprise Fund	Blind Services	General Fund	$ 112	Transfer of Business Enterprises into Blind Services
Department Administration	General Fund	Motor Fleet	Internal Service	$ 1,600	Statutory transfer of capital funds for the State Motor Fleet
Highway Bonds	Debt Service	DOT-Highway	Special Revenue	$19,693	Transfer fund balance to Highway Fund

NOTE 4: PENSION PLANS

A. Retirement Systems

The State administers retirement benefits to its employees through these contributory benefit plans:

1. TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

Membership is comprised of employees of State agencies and institutions, including teachers and employees of the local boards of education, university and community college faculty and employees, and state employed law enforcement officers. Total active member accounts at December 31, 1986, were 248,007, of which 199,285 members made contributions for the month of December 1986. Annuitants for December 1986 totaled 58,189. Benefits accrue at the rate of 1.58% of a 4-year average compensation for each year of service. The system is funded by a member contribution of 6% of compensation and by an employer contribution of 10.03% of covered payroll, in addition to investment income.

2. CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

Membership is comprised of judges, district attorneys and clerks of court. The system was created on January 1, 1985, by the merger of the former Uniform Judicial Retirement System, Uniform Solicitorial Retirement System, and the Uniform Clerks of Court Retirement System. Total active member accounts at December 31, 1986, were 412 of which 372 members made contributions for the month of December 1986. Annuitants for December 1986 totaled 231. Benefits accrue at the rates of 3%, 3.5%, and 4% of final compensation for each year of service, depending on the status of members. The system is funded by a member contribution of 6% of compensation and an employer contribution of 29.72% of covered payroll, in addition to investment income.

3. LEGISLATIVE RETIREMENT SYSTEM

Membership is comprised of members of the General Assembly. The system came into existence on February 6, 1985. Total active member accounts at December 31, 1986, were 190, of which 169 members made contributions for the month of December 1986. Annuitants for December 1986 totaled 40. Benefits accrue at the rate of 4% of final compensation for each year of service. The system is funded by a member contribution of 7% of compensation and an employer contribution of 34.37% of covered payroll, in addition to investment income.

4. OTHER STATE ADMINISTERED SYSTEMS

The State also administers pension and retirement systems for persons who are not considered employees of the State:

FIREMEN AND RESCUE SQUAD PENSION FUND - Membership is comprised of both volunteer and state and locally employed firemen and emergency medical personnel who elect membership. Membership totaled 16,862 at June 30, 1986. Pensioners for June 1986 totaled 3,187. Benefits are $100 per month payable at age 55 with a minimum of 20 years service. The plan is funded by a $5 monthly contribution by the member, investment income and a state appropriation. The appropriation for 1986-87 was $4,184,865.

NATIONAL GUARD PENSION FUND - Membership is established at age 60 for former members of the North Carolina National Guard who have 20 or more years active duty with the National Guard. Benefits are $50 per month for the first 20 years of service and $5 per month for each additional year of service to a maximum of $100 per month. The plan is funded by State appropriation and investment income. The appropriation for 1986-87 was $1,740,235.

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM - Membership is comprised of general employees and local law enforcement officers of participating local governmental entities. Benefits are identical to the benefits that accrue to members of the Teachers' and State Employees' Retirement System described above. The system is funded by an employee contribution of 6% and employer contribution at varying rates by the participating local governments. The State's responsibility is administrative only.

All of the retirement systems are valuated by an independent actuary. The latest actuarial valuations were for the year ended December 31, 1986 for the Teachers' and State Employees', Local Governmental Employees', Consolidated Judicial, and Legislative Retirement Systems; December 31, 1985 for the National Guard Pension Fund; and June 30, 1986 for the Firemen's and Rescue Squad Worker's Pension Fund. The significant methods, assumptions, and results of the latest actuarial valuations, which are presented in the following schedules, were adjusted by the actuary to reflect changes which occurred between systems during the year (dollars expressed in thousands):

Methods and Assumptions	Teachers	Judicial	Legislative	Firemen	Guard	Local
Membership:						
Active	248,007	412	190	16,862	7,620	71,218
Retired	58,189	231	40	3,187	1,701	13,363
Valuation Method (*)	1	4	5	3	3	2
Investment Return	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Rate of Salary Increase	Average of 7.5%	Average of 7.5%	Average of 7.5%	N/A	N/A	Average of 7.5%
Increase in Retiree Benefits Effective 7/1/87	4.0%	4.0%	12.0%	N/A	N/A	4.0%

(*) - Legend of Valuation Methods:

(1) Projected benefit method with aggregate level normal cost and open-end accrued liability. Gains and losses are reflected in the accrued liability.

(2) Projected benefit method with aggregate level normal cost and frozen accrued liability. Gains and losses are reflected in the normal rate.

(3) Projected benefit method with level average entry age normal cost and open-end accrued liability. Gains and losses are reflected in the accrued liability.

(4) The liabilities are based on the projected benefit method; however, the contribution rates were determined on the basis of the accrued benefit method with projection. One year term cost for lump sum death benefits.

(5) Projected unit credit cost method with unfunded accrued liability.

Results of Valuation	Teachers	Judicial	Legislative	Firemen	Guard	Local
Present Value of Benefits Payable to Participants Receiving Payments	$ 3,354,120	$ 34,813	$ 869	$ 30,217	$ 7,795	$ 562,877
Present Value of Benefits Payable to Current Members	$ 6,933,467	$ 81,376	$ 4,298	$ 45,722	$ 12,190	$ 1,367,403
Unfunded Accrued Liability	$ 1,825,763	$ 24,564	$ 3,205	$ 18,561	$ 15,572	$ 107,382
Unfunded Accrued Liability Liquidation Period (years)	16	18	13	19	19	2 to 24
Recommended Employer Contribution Rates						
Normal	5.12%	16.47%		$ 1,513	$ 291	4.63% or 5.10%
Accrued Liability	4.91%	12.68%		$ 1,864	$1,508	0% to 15.02%
Death Benefit	0.22%	0.56%		N/A		0.01% to 6.90%
Total	10.25%	29.71%	29%	$ 3,377	$1,799	Various

This chart shows the funding status of the retirement systems for the years 1980 through 1986 (expressed as percentages). The funding status has been determined, as a ratio, by relating the total present assets to the total assets needed for the retirement system to be 100% funded. The total assets needed to be 100% funded are found by adding the assets on hand and the unfunded accrued liabilities.

System	1980	1981	1982	1983	1984	1985	1986
Teachers and State Employees	73	75	76	78	80	81	83
Consolidated Judicial (2)					61	66	71
Legislative						32	38
Firemen and Rescue Squad Workers (1)	73	77	58	64	74	80	69
National Guard (3, 4)					9	16	
Local Governmental Employees	85	88	89	91	92	93	94

(1) Rescue squad workers became members of this system as of January 1982.

(2) As of January 1, 1985, the Uniform Judicial, Clerks of Superior Court, and Solicitorial Retirement System merged into the Consolidated Judicial Retirement System. The percentage shown for the Consolidated Judicial Retirement System for 1984 is based on the valuation balance sheet reflecting the merger as of December 31, 1984.

(3) Prior to July 1, 1983, the National Guard was on a pay as you go basis.

(4) 1986 valuations not available.

The financial statements for the retirement systems listed above are shown in this report as Pension Trust Funds as of and for the fiscal year ended June 30, 1987. During the 1986-87 fiscal year the State contributed to these systems (expressed in thousands):

System	State Contribution
Teachers and State Employees	$ 421,156
Consolidated Judicial	5,938
Legislative	630
Firemen and Rescue Squad Workers	4,185
National Guard	1,740
Total State Contributions	$ 433,649

The investments for the retirement systems are in pools (Long-term Investment Pool, Equity Investment Pool and Real Estate Investment Pool) managed by the State Treasurer. The Long-term Investment Pool invests in long-term debt securities, the Equity Investment Pool invests in stock and the Real Estate Investment Pool invests in real estate trusts administered by third party professionals. This schedule shows the amounts invested by the retirement systems in each pool and the approximate market value of those investments as of June 30, 1987 (expressed in thousands):

System	Long-Term Investment Pool	Equity Investment Pool	Real Estate Investment Pool	Total Invested	Approximate Market Value
Teachers and State Employees	$ 7,170,208	$ 2,025,207	$ 137,894	$ 9,333,309	$ 10,487,276
Consolidated Judicial	48,575	13,125	825	62,525	69,528
Legislative	1,746	326	13	2,085	2,217
Firemen and Rescue Squad	39,275	10,219	731	50,225	56,068
North Carolina National Guard	3,208	575	22	3,805	4,049
Local Government Employees	1,571,017	417,895	29,693	2,018,605	2,256,602
Total	$ 8,834,029	$ 2,467,347	$ 169,178	$ 11,470,554	$ 12,875,740
Approximate Market Value	$ 9,107,648	$ 3,594,330	$ 173,762	$ 12,875,740	

B. Optional Retirement Plan

Eligible faculty of the various state universities may elect to become members of the Teachers Insurance and Annuity Association (TIAA-CREF), a privately administered retirement plan, or the North Carolina Teachers' and State Employees' Retirement System. The State assumes no liability for this group of TIAA-CREF members other than payment of contributions. For employees participating in the TIAA-CREF retirement plan, both the employee and employer are required to contribute six percent of gross wages to the plan. During the 1986-87 fiscal year the State contributed $10,690,284 to this plan.

C. Deferred Compensation and Supplemental Retirement Income Plans

IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits the employees to defer a portion of their salary until future years. The deferred compensation is available to employees upon separation for service, death, disability, retirement or due to financial hardships if approved by the Board of Trustees of the Plan. The benefits distributed to employees are exempt from all state and local taxes. All costs of administering and funding the plan are the responsibility of the plan participants. The State of North Carolina does not make any contributions to the plan. All amounts, property and rights derived from deferred compensation and income earned on the deferred compensation ($110.6 million) are, until paid or made available to the employee or other beneficiary, solely the property and rights of the State of North Carolina, subject only to the claims of the State's general creditors. The State believes that it is very unlikely that it will use these assets to satisfy the claims of general creditors in the future.

IRC Section 401(K) Plan - Effective January 1, 1985 Chapter 135, Article 5 of the North Carolina General Statutes authorized the creation of the Supplemental Retirement Income Plan of North Carolina in accordance with Internal Revenue Code Section 401(K). All members of the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System and Local Governmental Employees' Retirement System are eligible to elect to enroll in this plan. Members of the plan may receive their benefits upon retirement, disability, termination, hardship, or death. All costs of administering the plan are the responsibility of the plan participants. As of June 30, 1987, the plan administrator has reported assets on hand of $96.9 million (unaudited).

NOTE 5: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Segment information for the State's Enterprise Funds for the year ended June 30, 1987 is (expressed in thousands):

	North Carolina Memorial Hospital	Housing Finance Agency	State Ports Auth.	Blind Serv. Bus. Entpr	State Fair	Ports Railway Comm.	Battleship Commission	Other Funds	Total
Operating Revenues....	$ 135.857	$ 100.296	$ 24.358	$ 177	$ 4.571	$ 359	$ 1.419	$ 410	$ 267,447
Depreciation..........	8.670	2.789	3.674		440	66	100	63	15,802
Operating Inc.(Loss)..	(23.895)	21.504	721	(49)	154	15	178	(13)	(1,385)
Operating Transfers:									
In...................	22.555				150				22,705
Out..................	(904)				(320)			(2)	(1,226)
Net Income(Loss)......	3.422	3.010	779	(44)	(2)	57	146	(16)	7,352
Net Working Capital...	34.787	(29.263)	12.619	37	115	582	1.214	187	20,278
Total Assets..........	136.860	815.009	86.108	42	10.415	1.259	3.234	1.261	1.054.188
Bonds and Other Long-Term Liab......		725.788	9.359		6	350	688		736.191
Total Equity..........	121.043	51.545	74.329	37	9.365	865	2.445	1.243	260.872

NOTE 6: COMMITMENTS AND CONTINGENCIES

A. Risk Management

As discussed in Note 3 K, the State is self-insured for workers' compensation and unemployment compensation claims and for property losses up to $2,000,000.

B. No Commitment Debt

The State, by action of the General Assembly, created the North Carolina Medical Care Commission which is authorized to provide for the issuance of bonds for purposes of providing nonstate hospitals, medical centers and related facilities with a low cost source of financing capital construction. The bonds are not an indebtedness of the State, and, accordingly, are not reflected in the accompanying financial statements. The indebtedness of the entity served by the bond is secured by the property financed, and is serviced and administered by a trustee independent of the State. Maturing serially to calendar year 2016, outstanding bond principal as of June 30, 1987, was $871,447,980 at interest rates varying from 4.4 to 14.0 percent.

C. Litigation

The State is involved in numerous claims and legal proceedings many of which normally recur in governmental operations. Correspondence from the Attorney General on the status of outstanding lawsuits involving the State did not disclose any proceedings that will have a material adverse effect on the financial position of the State.

D. Federal Grants

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies, although it is believed that disallowances, if any, will be immaterial.

E. Highway Construction

The State may be liable for approximately $2.6 million to contractors for highway construction claims that the State has contested.

F. Food Stamp Coupons

The State has custodial responsibility for $66 million of U.S. Department of Agriculture food stamp coupons for which the State is liable in the event of loss.

G. USDA Donated Commodities

The State has custodial responsibility for $5.3 million of U.S. Department of Agriculture donated food commodities for which the State is liable in the event of loss.

NOTE 7: SUBSEQUENT EVENTS

The following revenue bond activity occurred subsequent to June 30, 1987:

On August 1, 1987, the N. C. Housing Finance Agency redeemed $4,006,000 of multi-family revenue bonds. The agency expects to record a loss in connection with the early extinguishment, the amount of which has yet to be determined.

On September 1, 1987, the N. C. Education Assistance Authority redeemed serial and term bonds in the amount of $21,620,000.

On September 11, 1987, East Carolina University sold $1.2 million of revenue bonds for the purpose of renovation and expansion of the campus student union.

The Lenox Baker Children's Hospital in Durham, a part of the Division of Health Services at June 30, 1987, was transferred to Duke Hospital on November 1, 1987, under provisions of a bill ratified by the 1987 General Assembly.

In October, 1987, the New York Stock Exchange suffered a decline which adversely affected the market value of the State's marketable equity securities maintained in the Equity Investment Fund by the State Treasurer. The investments in this fund consist of common stock and mutual funds. The following is a summary of the balances of the investment portfolio in the Equity Investment Fund at June 30, 1987 and October 31, 1987 (in millions).

	June 30, 1987	October 31, 1987
Investment Balances:		
At Cost	$ 2,070	$ 2,696
At Market Value	3,201	2,916
Ratio of Market Value to Cost	1.55	1.08

The Long-Term Investment Fund consists primarily of corporate bonds and U. S. Treasury securities. At June 30, 1987 the cost of the investments was $8,717 million and the market value was $8,994 million. The market value of these investments was substantially unchanged at October 31, 1987.

COMBINING AND INDIVIDUAL FUND STATEMENTS

General Fund

Special Revenue Funds

Debt Service Fund

Capital Projects Fund

Enterprise Funds

Internal Service Funds

Trust and Agency Funds

General Fixed Assets Account Group

General Long-Term Obligations Account Group

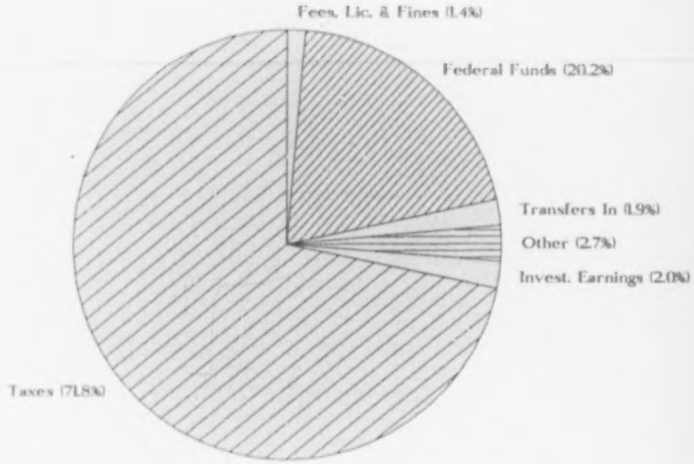
University Funds

GENERAL FUND

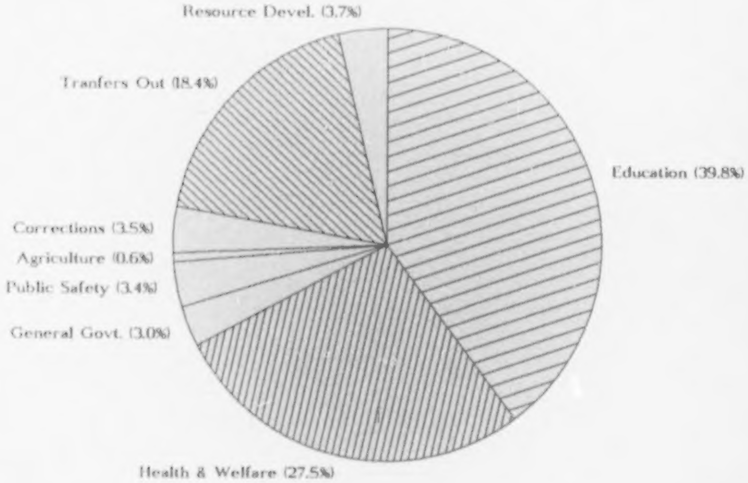
The General Fund is maintained to account for all financial resources received and used for services traditionally provided by a state government. These services include general government, public safety and regulation, corrections, education, health welfare and rehabilitation, resource development and preservation, agriculture, and any other services not accounted for in another fund.

The charts provide a breakdown of the General Fund revenues and expenditures for the year ended June 30, 1987, on the modified accrual basis of accounting (GAAP). Under this basis, total revenues and other sources exceeded expenditures and other uses by $99 million in 1987.

General Fund Revenues



General Fund Expenditures



BALANCE SHEET
GENERAL FUND

June 30, 1987

Exhibit B-1

(Expressed in Thousands)

Assets	June 30, 1987	June 30, 1986
Cash and Cash Equivalents	$ 1,006,503	$ 825,727
Investments	5,235	5,239
Receivables:		
Accounts Receivable	67,613	63,357
Due from Other Governments	154,669	148,909
Investment Earnings	12,280	12,123
Interfund Receivables	6,884	3,740
Inventory of Supplies	24,696	23,926
Total Assets	$ 1,277,880	$ 1,083,021
Liabilities and Fund Balance		
Liabilities:		
Payables:		
Accounts Payable	$ 23,735	$ 20,280
Public Assistance Claims Payable	132,635	125,031
Accrued Payroll	5,038	4,825
Due to Other Governments	448,270	369,695
Interfund Payables	3,637	2,355
Deposits Payable	47	333
Deferred Revenue	56,160	39,361
Total Liabilities	669,522	561,880
Fund Balance:		
Reserved	186,050	135,483
Unreserved:		
Designated for Subsequent Years' Expenditures	58,791	63,447
Undesignated	363,517	322,211
Total Fund Balance	608,358	521,141
Total Liabilities and Fund Balance	$ 1,277,880	$ 1,083,021

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GENERAL FUND

For the Fiscal Year Ended June 30, 1987

(Expressed in Thousands)

Exhibit B-2

	June 30, 1987	June 30, 1986
Revenues:		
Taxes	$ 5,219,692	$ 4,704,726
Federal Funds	1,472,035	1,454,247
Local Funds	95,468	89,507
Investment Earnings	147,253	153,015
Sales and Services	51,577	46,969
Sale, Rental and Lease of Property	4,023	3,776
Fees, Licenses and Fines	100,522	98,980
Contributions	1,195	1,239
Miscellaneous	40,921	22,249
Total Revenues	7,132,686	6,574,708
Expenditures:		
General Government	215,720	127,774
Public Safety and Regulation	241,741	216,892
Corrections	251,906	231,609
Public Education and Community Colleges	2,854,939	2,697,598
Health, Welfare and Rehabilitation	1,972,922	1,810,260
Resource Development and Preservation	267,220	271,949
Agriculture	46,137	45,136
Total Expenditures	5,850,585	5,401,218
Excess Revenues Over (Under) Expenditures	1,282,101	1,173,490
Other Financing Sources (Uses):		
Operating Transfers In	141,463	102,485
Operating Transfers Out	(1,322,969)	(1,219,867)
Total Other Financing Sources (Uses)	(1,181,506)	(1,117,382)
Excess Revenue and Other Sources Over (Under) Expenditures and Other Uses	100,595	56,108
Fund Balance - July 1 - As Previously Reported	521,141	461,348
Restatements	(12,658)	7,024
Residual Equity Transfers	(1,488)	(3,500)
Increase (Decrease) In Reserve for Related Assets	768	161
Fund Balance - June 30	$ 608,358	$ 521,141

SCHEDULE OF REVENUES BY SOURCE
GENERAL FUND

For the Fiscal Year Ended June 30, 1987

(Expressed in Thousands)

	Total	Taxes	Federal Funds
Tax Revenue:			
Income Tax	$ 3,165,847	$ 3,165,847	$
Sales and Use Tax	1,450,903	1,450,903	
Franchise Tax	206,531	206,531	
Beverage Tax	112,517	112,517	
Insurance Tax	139,046	139,046	
Inheritance Tax	73,359	73,359	
Soft Drink Tax	24,813	24,813	
Cigarette Tax	16,105	16,105	
License Tax	21,283	21,283	
Building and Loan Association Tax	4,442	4,442	
Gift Tax	3,932	3,932	
Other Taxes	914	914	
Total Tax Revenues	5,219,692	5,219,692	
Non-Tax Revenue:			
Income from Treasurer's Investments	139,474		
Judicial Department	37,479		
Intangible Tax Administration	2,578		
Secretary of State - Securities	3,015		
Local Sales and Use Tax Administration	4,411		
Banking and Investment Fees	2,344		
Department of Commerce - Industrial Commission - Self Insurer	2,101		
Secretary of State - Corporations	2,163		
Gasoline and Oil Inspection Fees	975		
Proceeds from Sale, Lease, or Rental of State Property	315		
Secretary of State - Uniform Commercial Code	705		
Railroad Dividends	217		
Secretary of State - Notaries	369		
Probation - Supervision Fees	2,943		
State Board of Elections	9		
Other Non-tax Revenue	5,635		
Total Non-tax Revenue	204,733		
Total General Fund Revenue	5,424,425	5,219,692	
Departmental Revenues:			
Federal Funds	1,472,035		1,472,035
Sales and Services	51,577		
Local Funds	95,468		
Fees, Licenses and Fines	43,244		
Contributions, Gifts and Grants	1,195		
Rental and Lease Earnings	3,708		
Investment Earnings	7,562		
Miscellaneous	33,472		
Total Departmental Revenues	1,708,261		1,472,035
Total Revenues	$ 7,132,686	$ 5,219,692	$ 1,472,035

Exhibit B-3

Local Funds	Investment Earnings	Sales and Services	Sale, Rental And Lease Of Property	Fees, Licenses & Fines	Contributions	Miscellaneous
$	$	$	$	$	$	$
	139,474					
				37,479		
						2,578
				3,015		
						4,411
				2,344		
				2,101		
				2,163		
				975		
			315			
				705		
	217					
				369		
				2,943		
				9		
				5,175		460
	139,691		315	57,278		7,449
	139,691		315	57,278		7,449
		51,577				
95,468						
				43,244		
					1,195	
			3,708			
	7,562					
						33,472
95,468	7,562	51,577	3,708	43,244	1,195	33,472
$ 95,468	$ 147,253	$ 51,577	$ 4,023	$ 100,522	$ 1,195	$ 40,920

SCHEDULE OF EXPENDITURES BY FUNCTION AND DEPARTMENT GENERAL FUND

For the Fiscal Year Ended June 30, 1987

(Expressed in Thousands)

		Function	
Department	Total	General Government	Public Safety and Regulation
General Assembly	$ 16,985	$ 16,985	$
Governor	51,277	51,277	
Lieutenant Governor	726	726	
Secretary of State	1,912	1,912	
State Auditor	6,619	6,619	
State Treasurer	11,823	11,823	
Administration	43,558	43,558	
Revenue	80,603	80,603	
State Board of Elections	337	337	
Judicial	148,059		148,059
Justice	45,518		45,518
Labor	9,089		9,089
Insurance	12,414		12,414
Crime Control and Public Safety	26,661		26,661
Correction	251,906		
Education-Public Schools	2,518,807		
Community Colleges	330,751		
Cultural Resources	39,579		
Human Resources	1,972,922		
Natural Resources and Community Development	172,910		
Commerce	54,731		
Agriculture	46,137		
School of Science and Mathematics	5,381		
Office of Administrative Hearings	1,880	1,880	
Total Expenditures	$ 5,850,585	$ 215,720	$ 241,741

Exhibit B-4

Function				
Corrections	Public Education and Community Colleges	Health, Welfare and Rehabilitation	Resource Development & Preservation	Agriculture
$	$	$	$	$
251,906				
	2,518,807			
	330,751			
			39,579	
		1,972,922		
			172,910	
			54,731	
				46,137
	5,381			
$ 251,906	$ 2,854,939	$ 1,972,922	$ 267,220	$ 46,137

SCHEDULE OF EXPENDITURES BY OBJECT
GENERAL FUND

For the Fiscal Year Ended June 30, 1987 Schedule B-5

(Expressed in Thousands)

	June 30, 1987	June 30, 1986
Personal Services	$ 844,266	$ 783,799
Employee Benefits	205,681	194,212
Contracted Personal Services	55,676	44,195
Supplies and Materials	72,618	69,767
Travel	27,285	24,868
Communication	20,999	19,717
Utilities	26,011	26,249
Data Processing Services	13,646	10,080
Other Services	32,542	31,214
Rental of Property and Equipment	10,690	9,793
Other Pensions and Benefits	398	370
Other Fixed Charges	22,148	20,248
Capital Outlay	57,360	48,676
Grants, State Aid and Subsidies	4,435,540	4,114,360
Other Expenditures	25,725	3,670
Total Expenditures	$ 5,850,585	$ 5,401,218

SPECIAL REVENUE FUNDS

The Special Revenue Funds are maintained to account for those financial resources which are restricted by legal, regulatory or administrative action to finance particular functions or activities of the State. These activities include:

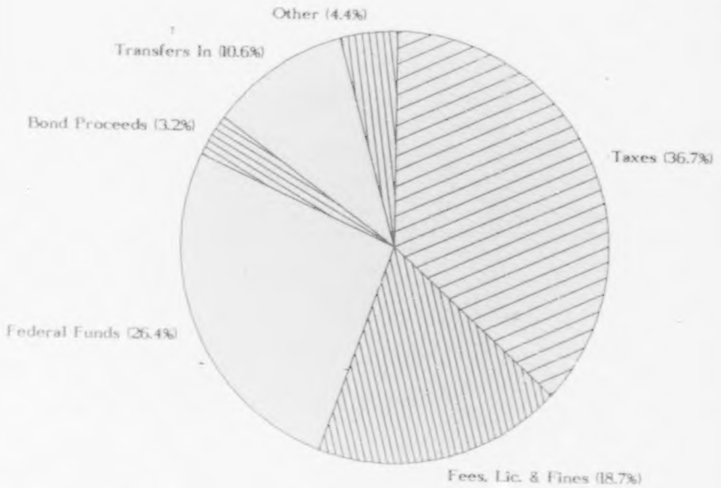
1. Highway - To account for Highway construction and maintenance activities funded by Highway user taxes and Federal Grants;

2. Bond - To account for Highway, Clean Water and Public School Facility activities funded by the issue of General Obligation Bonds; and

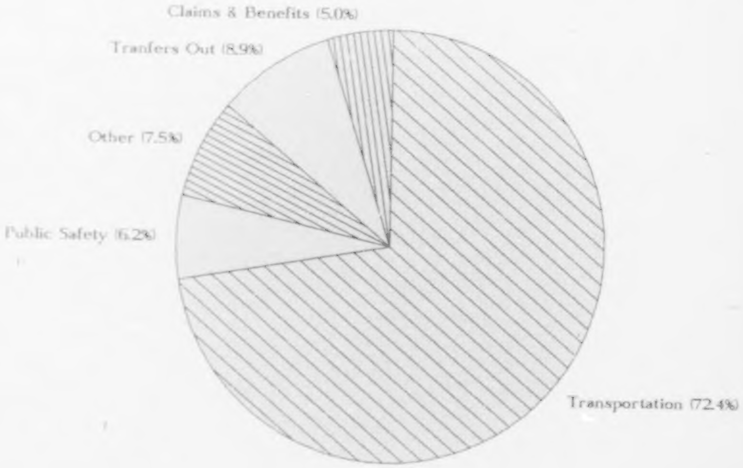
3. Departmental - To account for special activities of General Government funded by various state and other governmental grants.

The graphs provide a breakdown of Special Revenue Funds revenues and expenditures for the year ended June 30, 1987, on the modified accrual basis of accounting (GAAP). Total revenues and other sources exceeded expenditures and other uses by $140 million in 1987.

Special Fund Revenues ,



Special Fund Expenditures



COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS

June 30, 1987 | Exhibit C-1

(Expressed in Thousands)

				Totals	
Assets	Highway	Bond	Dept.	June 30, 1987	June 30, 1986
Cash and Cash Equivalents	$ 356,086	$ 43,243	$ 77,883	$ 477,212	$ 313,773
Cash with Fiscal Agents	10,100			10,100	8,566
Receivables:					
Accounts Receivable	2,775	47	1,362	4,184	3,839
Due from Other Governments	46,612	998	2,452	50,062	44,450
Investment Earnings	2,873			2,873	2,335
Other Receivables	1,402		68	1,470	1,470
Interfund Receivables	6,433		1,010	7,443	3,198
Inventory of Supplies	35,113		3,109	38,222	40,269
Prepaid Expenses	285		41	326	1,018
Securities Held in Trust			991	991	513
Total Assets	$ 461,679	$ 44,288	$ 86,916	$ 592,883	$ 419,431
Liabilities and Fund Balances					
Liabilities:					
Payables:					
Accounts Payable	$ 18,670	$	$ 3,447	$ 22,117	$ 21,419
Accrued Payroll	4,814		552	5,366	6,560
Due to Other Governments	65,185	25	1,687	66,897	58,576
Other Payables			808	808	520
Interfund Payables	17,930	239	792	18,961	8,039
Deposits Payable	17,839		991	18,830	15,333
Deferred Revenue	1,182		737	1,919	2,301
Total Liabilities	125,620	264	9,014	134,898	112,748
Fund Balances:					
Reserved	45,365		7,743	53,108	43,790
Unreserved:					
Designated for Subsequent Years' Expenditures	290,694	44,024	70,159	404,877	262,893
Total Fund Balances	336,059	44,024	77,902	457,985	306,683
Total Liabilities and Fund Balances	$ 461,679	$ 44,288	$ 86,916	$ 592,883	$ 419,431

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 1987
(Expressed in Thousands)

Exhibit C-2

	Highway	Bond	Dept.	Totals June 30, 1987	Totals June 30, 1986
Revenues:					
Taxes	$ 525,953	$	$	$ 525,953	$ 387,178
Federal Funds	304,084		74,199	378,283	371,931
Local Funds	8,435	430	5,274	14,139	10,953
Investment Earnings	26,194		45	26,239	26,485
Sales and Services			1,874	1,874	1,881
Sale, Rental and Lease of Property			156	156	174
Fees, Licenses and Fines	237,461		31,099	268,560	267,382
Contributions	4,197		1,279	5,476	1,010
Miscellaneous	11,172	7	3,415	14,594	14,225
Total Revenues	1,117,496	437	117,341	1,235,274	1,081,219
Expenditures:					
General Government			4,819	4,819	4,385
Public Safety and Regulation			81,674	81,674	80,564
Corrections			743	743	878
Public Education and Community Colleges		56	34,664	34,720	10,672
Transportation	949,429	647		950,076	912,778
Resource Development and Preservation		15,024	22,268	37,292	39,568
Claims and Benefits Administration			65,430	65,430	65,160
Health, Welfare, and Rehabilitation			20,430	20,430	20,732
Total Expenditures	949,429	15,727	230,028	1,195,184	1,134,737
Excess Revenues Over (Under) Expenditures	168,067	(15,290)	(112,687)	40,090	(53,518)
Other Financing Sources (Uses):					
Operating Transfers In	6,145		145,128	151,273	127,803
Operating Transfers Out	(95,679)	(201)	(21,391)	(117,271)	(118,159)
Proceeds from Bond Sale		46,000		46,000	
Total Other Financing Sources (Uses)	(89,534)	45,799	123,737	80,002	9,644
Excess Revenue and Other Sources Over (Under) Expenditures and Other Uses	78,533	30,509	11,050	120,092	(43,874)
Fund Balances - July 1 - As Previously Reported	226,086	13,515	67,082	306,683	346,676
Restatements			175	175	2,665
Residual Equity Transfer	19,693			19,693	
Increase (Decrease) in Reserve for Related Assets	11,747		(405)	11,342	1,216
Fund Balances - June 30	$ 336,059	$ 44,024	$ 77,902	$ 457,985	$ 306,683

SCHEDULE OF EXPENDITURES BY OBJECT
HIGHWAY FUND

For the Fiscal Year Ended June 30, 1987 Schedule C-3
(Expressed in Thousands)

	June 30, 1987	June 30, 1986
Personal Services	$ 268,796	$ 249,507
Employee Benefits	15,458	15,864
Contracted Personal Services	17,058	18,480
Supplies and Materials	77,316	77,542
Travel	5,887	5,674
Communications	3,688	4,125
Utilities	5,107	10,928
Other Services	14,538	7,649
Property and Equipment Rental	66,918	65,273
Other Fixed Charges	7,805	5,982
Payments to Contractors	347,868	337,047
Acquisition of Right of Way	35,582	27,905
Capital Outlay	6,711	5,485
Grants, State Aid and Subsidies	76,302	73,434
Other Expenditures	395	507
Total Expenditures	$ 949,429	$ 905,402

COMBINING BALANCE SHEET
ALL SPECIAL REVENUE BOND FUNDS

June 30,1987

(Expressed in Thousands)

Exhibit C-4

	Highway	Clean Water	Public School Facilities	Totals June 30,1987	Totals June 30, 1986
Assets					
Cash and Cash Equivalents	$ 1,571	$ 41,252	$ 420	$ 43,243	$ 14,431
Receivables:					
Accounts Receivable	47			47	47
Due From Other Governments	789	209		998	637
Total Assets	$ 2,407	$ 41,461	$ 420	$ 44,288	$ 15,115
Liabilities and Fund Balances					
Liabilities:					
Payables:					
Due to Other Governments	$	$ 25	$	$ 25	$ 1,188
Interfund Payables	57	182		239	412
Total Liabilities	57	207		264	1,600
Fund Balances:					
Designated for Subsequent Years' Expenditures	2,350	41,254	420	44,024	13,515
Total Liabilities and Fund Balances	$ 2,407	$ 41,461	$ 420	$ 44,288	$ 15,115

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL SPECIAL REVENUE BOND FUNDS

For the Fiscal Year Ended June 30, 1987

Exhibit C-5

(Expressed in Thousands)

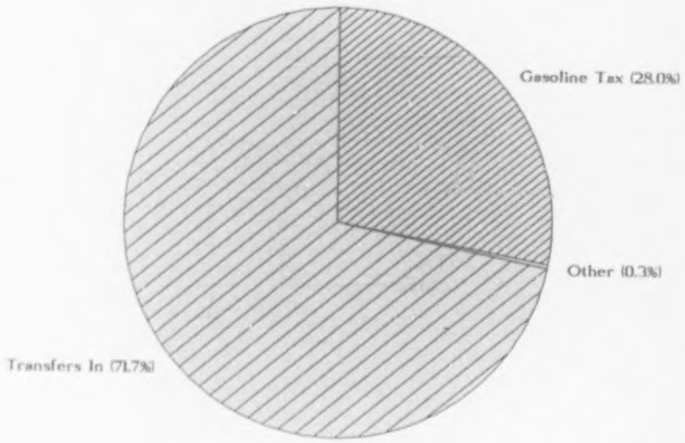
	Highway	Clean Water	Public School Facilities	Totals	
				June 30, 1987	June 30, 1986
Revenues:					
Local Funds	$ 430	$	$	$ 430	$ 90
Miscellaneous Revenue		7		7	
Total Revenues	430	7		437	90
Expenditures:					
Education			56	56	1,139
Transportation	647			647	7,376
Resource Development and Preservation		15,024		15,024	19,565
Total Expenditures	647	15,024	56	15,727	28,080
Excess Revenues Over (Under) Expenditures	(217)	(15,017)	(56)	(15,290)	(27,990)
Other Financing Sources (Uses):					
Operating Transfers Out		(201)		(201)	(70)
Proceeds from Bond Sale		46,000		46,000	
Total Other Financing Sources		45,799		45,799	(70)
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(217)	30,782	(56)	30,509	(28,060)
Fund Balances - July 1 - As Previously Reported	2,567	10,472	476	13,515	41,575
Fund Balances - June 30	$ 2,350	$ 41,254	$ 420	$ 44,024	$ 13,515

DEBT SERVICE FUNDS

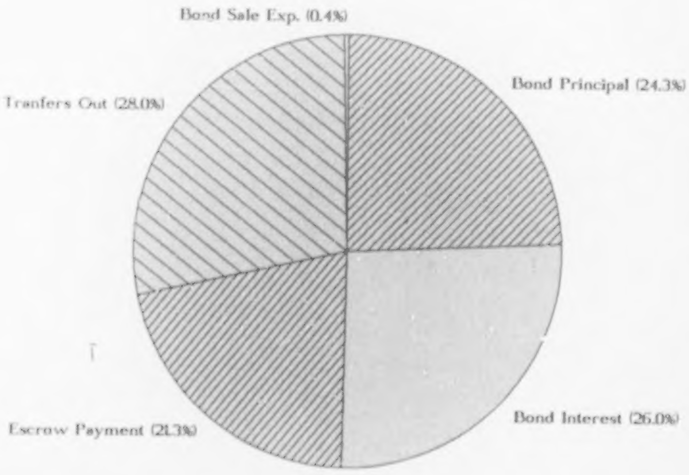
The Debt Service Funds are maintained to account for the accumulation of resources for, and the payment of, principal and interest on General Long-Term Debt not reported in the Proprietary Funds and University Funds. This debt includes Highway Bonds, General Obligation Bonds, ABC Commission Bonds and the Horse and Livestock Facility Bonds.

The graph provides a breakdown of Debt Service Funds, revenues and expenditures for the year ended June 30, 1987, on the modified accrual basis of accounting (GAAP). Debt Service expenditures on the Long-Term Debt reported in the General Long-Term Obligations Account Group are made through the Debt Service Fund.

Debt Service Fund Revenues



Debt Service Fund Expenditures



BALANCE SHEET
DEBT SERVICE FUND

June 30, 1987

Exhibit D-1

(Expressed in Thousands)

	Highway Bonds	General Obligation Bonds	ABC Comm. Bonds	Horse & Livestock Facility Bonds	Totals June 30, 1987	Totals June 30, 1986
Assets						
Cash and Cash Equivalents	$ 1,620	$	$ 2,004	$ 552	$ 4,176	$ 17,850
Cash With Fiscal Agents		1,254			1,254	883
Receivables:						
Investment Earnings				4	4	2
Interfund Receivables		182		1,264	1,446	1,386
Total Assets	$ 1,620	$ 1,436	$ 2,004	$ 1,820	$ 6,880	$ 20,121
Liabilities and Fund Balance						
Liabilities:						
Matured Bonds Payable	$	$ 965	$	$	$ 965	$ 365
Matured Interest Payable		471			471	551
Deferred Revenue				1,264	1,264	1,386
Total Liabilities		1,436		1,264	2,700	2,302
Fund Balance:						
Reserved for Debt Service	1,620		2,004	556	4,180	17,819
Total Liabilities and Fund Balance	$ 1,620	$ 1,436	$ 2,004	$ 1,820	$ 6,880	$ 20,121

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE DEBT SERVICE FUND

For the Fiscal Year Ended June 30, 1987

Exhibit D-2

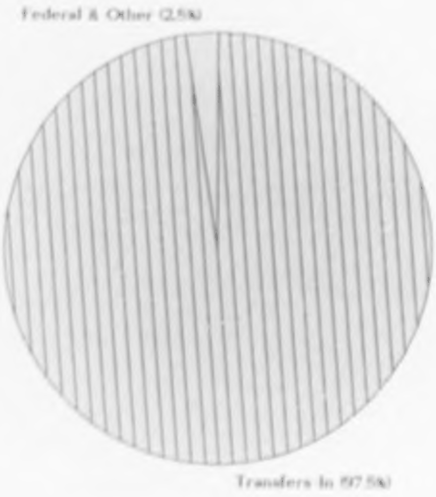
(Expressed In Thousands)

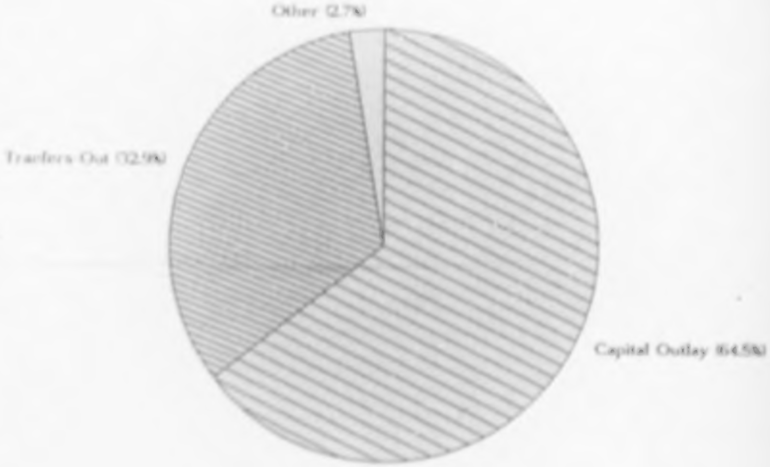
	Highway Bonds	General Obligation Bonds	ABC Comm. Bonds	Horse & Livestock Facility Bonds	Totals June 30, 1987	Totals June 30, 1986
Revenues:						
One-Cent Gasoline Tax............	$ 38,068	$	$	$	$ 38,068	$ 37.063
Investment Earnings.............				41	41	28
Total Revenues....................	38,068			41	38,109	37.091
Expenditures:						
Bond Principal Retirement.......		32.500	450	122	33,072	59,562
Bond Interest Retirement........		34.584	368	77	35,029	53,451
Refunded Bond Escrow Payment....	17,775	11.319			29,094	
Total Expenditures................	17,775	78.403	818	199	97,195	113,013
Excess Revenues Over (Under) Expenditures....................	20.293	(78.403)	(818)	(158)	(59,086)	(75,922)
Other Financing Sources (Uses):						
Operating Transfers In..........		78.403	992	424	79.819	74.816
Operating Transfers (Out).......	(14.969)	(246)			(15,215)	
Proceeds of Refunded Bonds......	250,006	210.001			460,007	
Payment to Refunded Bond Escrow Agent...............	(249.716)	(209.755)			(459,471)	
Total Other Financing Sources (Uses)...............	(14,679)	78.403	992	424	65,140	74.816
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses.......................	5.614		174	266	6,054	(1.106)
Fund Balance - July 1 - As Previously Reported..........	15,699		1.830	290	17,819	18.925
Residual Equity Transfer..........	(19.693)				(19,693)	
Fund Balance - June 30............	$ 1.620	$	$ 2.004	$ 556	$ 4,180	$ 17,819

CAPITAL PROJECTS FUND

The Capital Projects Fund is maintained to account for those financial resources received and used for the acquisition, construction, or improvement of major governmental General Fixed Assets financed principally by transfers from the General Fund or General Obligation Bonds.

The graph provides a breakdown of Capital Project Fund revenues and expenditures for the year ended June 30, 1987, on the modified accrual basis of accounting (GAAP). The net effect of revenues and other sources over expenditures and other uses was an increase of $57 million in the Capital Projects Fund balance.


Capital Projects Fund Revenues


Capital Projects Fund Expenditures

BALANCE SHEET
CAPITAL PROJECTS FUND

June 30, 1987
(Expressed in Thousands)

Exhibit E-1

	June 30, 1987	June 30, 1986
Assets		
Cash and Cash Equivalents	$ 186,712	$ 129,353
Receivables:		
Accounts Receivable	146	430
Due from Other Governments	226	8
Interfund Receivables	218	115
Total Assets	$ 187,302	$ 129,906
Liabilities and Fund Balance		
Liabilities:		
Payables:		
Accounts Payable	$ 3,101	$ 3,059
Due to Other Governments	117	13
Interfund Payables	65	36
Deposits Payable	1,490	1,618
Total Liabilities	4,773	4,726
Fund Balance:		
Unreserved:		
Designated for Subsequent Years' Expenditures	182,529	125,180
Total Liabilities and Fund Balance	$ 187,302	$ 129,906

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE CAPITAL PROJECTS FUND

For the Fiscal Year Ended June 30, 1987

Exhibit E-2

(Expressed in Thousands)

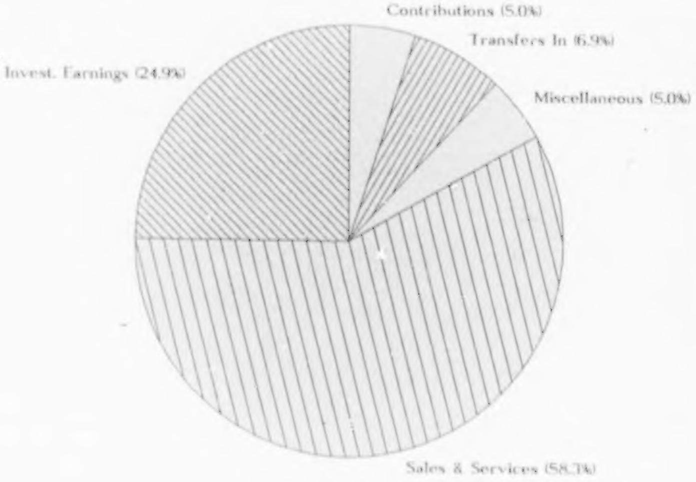
	June 30, 1987	June 30, 1986
Revenues:		
Federal Funds	$ 2,300	$ 643
Local Funds	104	13
Investment Earnings	24	28
Sales and Services	62	233
Sale, Rental and Lease of Property	73	10
Contributions, Gifts and Grants	203	275
Miscellaneous	654	283
Total Revenues	3,420	1,485
Expenditures:		
Capital Outlay	51,425	43,255
Intergovernmental	2,142	2,706
Total Expenditures	53,567	45,961
Excess Revenues Over (Under) Expenditures	(50,147)	(44,476)
Other Financing Sources (Uses):		
Operating Transfers In	133,559	112,599
Operating Transfers Out	(26,206)	(11,232)
Total Other Financing Sources (Uses)	107,353	101,367
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	57,206	56,891
Fund Balance - July 1 - As Previously Reported	125,180	67,439
Restatements	143	850
Fund Balance - June 30	$ 182,529	$ 125,180

ENTERPRISE FUNDS

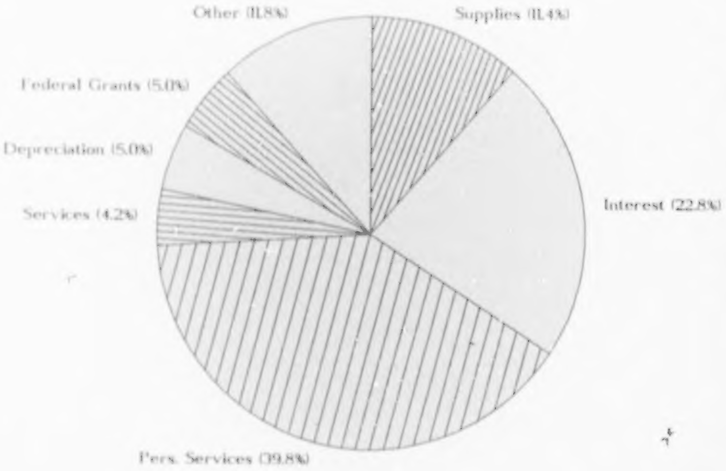
The Enterprise Funds are maintained to account for the operations of State Government that provide goods or services to the general public in a manner similar to private business enterprises. The costs of providing these goods or services are financed primarily through user charges. The Fnterprise Fund activities include North Carolina Memorial Hospital, Housing Finance Agency, State Ports Authority, Blind Services Business Enterprises, State Fair, Ports Railway Commission, USS North Carolina Battleship Commission and other Enterprise Funds (Cultural Resources Historic Site Sales and Agriculture Farmer's Market).

The graph provides a breakdown of Enterprise Funds revenues and expenses for the year ended June 30, 1987 on the accrual basis of accounting (GAAP). Under this basis, total revenues and other sources exceeded total expenses and other uses by $7.6 million in 1987.

Enterprise Fund Revenues



Enterprise Fund Expenditures



COMBINING BALANCE SHEET
ALL ENTERPRISE FUNDS

June 30, 1987

(Expressed in Thousands)

	Governmental Enterprise Funds		
Assets	N. C. Memorial Hospital	State Ports Authority	Blind Services Business Enterprise
Current Assets:			
Cash and Cash Equivalents	$ 13,756	$ 757	$ 18
Investments		9,399	
Accounts Receivable	28,505	4,059	14
Due From Governmental Entities	3,065		
Investment Earnings	5		
Interfund Receivables	1		
Inventories	4,919	642	10
Prepaid Expenses	353	182	
Total Current Assets	50,604	15,039	42
Other Assets:			
Cash and Cash Equivalents			
Investments			
Accounts Receivable	678	10	
Notes Receivable			
Prepaid Expenses	2	279	
Securities Held in Trust			
Total Other Assets	680	289	
Fixed Assets:			
Land and Improvements	1,808	17,104	
Buildings and Fixed Equipment	66,509	58,424	
Other Structures and Improvements			
Machinery and Equipment	68,407	28,611	
Motor Vehicles and Motorized Equipment			
Construction in Progress	1,277	6,193	
Accumulated Depreciation	(52,425)	(39,552)	
Total Fixed Assets	85,576	70,780	
Total Assets	$ 136,860	$ 86,108	$ 42

Exhibit F-1
Page 1 of 2

Governmental Enterprise Funds						Totals	
State Fair	Ports Railway Commission	U.S.S. N.C. Battleship Commission	Other Funds	Total Governmental Enterprise Funds	N. C. Housing Finance Agency	June 30, 1987	June 30, 1986
$ 1,051	$ 108	$ 1,192	$ 168	$ 17,050	$ 5,332	$ 22,382	$ 27,138
	500	1		9,900		9,900	11,940
4	16	1		32,599	292	32,891	32,394
				3,065		3,065	
		4		9	2,789	2,798	4,931
10				11		11	10
94		116	37	5,818		5,818	5,499
	2	1		538		538	751
1,159	626	1,315	205	68,990	8,413	77,403	82,663
		137		137		137	1,100
					221,682	221,682	297,049
				688		688	1,129
					581,303	581,303	565,317
		42		323	3,611	3,934	4,340
	240			240		240	
	240	179		1,388	806,596	807,984	868,935
1,379		97	390	20,778		20,778	7,123
10,957	477	2,285	1,141	139,793		139,793	173,376
482				482		482	2,223
590			117	97,725		97,725	60,007
167		16	34	217		217	153
				7,470		7,470	4,474
(4,319)	(84)	(658)	(626)	(97,664)		(97,664)	(86,419)
9,256	393	1,740	1,056	168,801		168,801	160,937
$ 10,415	$ 1,259	$ 3,234	$ 1,261	$ 239,179	$ 815,009	$ 1,054,188	$ 1,112,535

COMBINING BALANCE SHEET
ALL ENTERPRISE FUNDS (CONTINUED)

June 30, 1987
(Expressed in Thousands)

	Governmental Enterprise Funds		
Liabilities and Fund Equity	N. C. Memorial Hospital	State Ports Authority	Blind Services Business Enterprise
Liabilities:			
Current Liabilities:			
Accounts Payable	$ 6,389	$ 919	$
Accrued Payroll	4,719		
Due to Other Governmental Entities			
Interfund Payables	1		5
Notes Payable		223	
Capital Leases Payable			
Bonds Payable (Net of Discount)		500	
Interest Payable			
Deposits Payable	71		
Accrued Vacation Leave	4,637	778	
Deferred Revenue			
Total Current Liabilities	15,817	2,420	5
Long-Term Liabilities:			
Due to Other Governments			
Obligation for Workers Compensation		61	
Notes Payable		653	
Capital Leases Payable			
Bonds Payable (Net of Discount)		8,645	
Deposits Payable			
Total Long-Term Liabilities		9,359	
Total Liabilities	15,817	11,779	5
Fund Equity:			
Contributed Capital		59,990	
Retained Earnings	121,043	14,339	37
Total Fund Equity	121,043	74,329	37
Total Liabilities and Fund Equity	$ 136,860	$ 86,108	$ 42

Exhibit F-1
Page 2 of 2

Governmental Enterprise Funds							
State Fair	Ports Railway Commission	U.S.S. N.C. Battleship Commission	Other Funds	Total Governmental Enterprise Funds	N. C. Housing Finance Agency	Totals June 30, 1987	Totals June 30, 1986
$ 56	$	$ 14	$ 7	$ 7,385	$ 873	$ 8,258	$ 9,044
5		26	3	4,753		4,753	3,889
					239	239	
767				773		773	848
	40			263		263	441
4			8	12		12	16
		58		558	15,006	15,564	15,299
		3		3	18,962	18,965	15,374
				71		71	167
2	4			5,421		5,421	4,987
210				210	2,596	2,806	1,720
1,044	44	101	18	19,449	37,676	57,125	51,785
							358
				61		61	78
	110			763		763	1,028
6				6		6	18
		688		9,333	725,788	735,121	805,488
	240			240		240	
6	350	688		10,403	725,788	736,191	806,970
1,050	394	789	18	29,852	763,464	793,316	858,755
7,468	50		1,402	68,910	11,000	79,910	80,321
1,897	815	2,445	(159)	140,417	40,545	180,962	173,459
9,365	865	2,445	1,243	209,327	51,545	260,872	253,780
$ 10,415	$ 1,259	$ 3,234	$ 1,261	$ 239,179	$ 815,009	$ 1,054,188	$ 1,112,535

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY ALL ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 1987

(Expressed in Thousands)

	Governmental Enterprise Funds		
	N. C. Memorial Hospital	State Ports Authority	Blind Services Business Enterprise
Operating Revenues:			
Charges for Sales and Services	$ 162,451	$ 24,476	$ 177
Investment/Interest Earnings			
Rental and Lease Earnings	34		
Fees, Licenses and Fines			
Contributions	49		
Miscellaneous	5,371		
Allowances and Uncollectible Accounts	(32,048)	(118)	
Total Operating Revenues	135,857	24,358	177
Operating Expenses:			
Personal Services	110,166	13,890	4
Supplies and Materials	34,223	1,815	2
Services	5,712	3,061	4
Interest Expense			
Depreciation	8,670	3,674	
Cost of Goods Sold			201
Other Expenses	981	1,197	15
Total Operating Expenses	159,752	23,637	226
Operating Income (Loss)	(23,895)	721	(49)
Nonoperating Revenues (Expenses):			
Gain (Loss) on Sale of Equipment	(289)	6	
Investment Earnings		715	5
Donations	520		
Federal Grants			
Interest Revenue (Expense)	38	(437)	
Miscellaneous	5,397	15	
Total Nonoperating Revenues (Expenses)	5,666	299	5
Income (Loss) Before Operating Transfers	(18,229)	1,020	(44)
Operating Transfers:			
Operating Transfers In	22,555		
Operating Transfers Out	(904)		
Total Operating Transfers In (Out)	21,651		
Net Income Before Extraordinary Gain (Loss)	3,422	1,020	(44)
Extraordinary Gain (Loss)		(241)	
Net Income (Loss)	3,422	779	(44)
Fund Equity - July 1 - As Previously Reported	117,358	73,550	193
Restatements	263		
Residual Equity Transfers			(112)
Increase (Decrease) In Contributed Capital			
Fund Equity - June 30	$ 121,043	$ 74,329	$ 37

Exhibit F-2

Governmental Enterprise Funds						Totals	
State Fair	Ports Railway Commission	U.S.S. N.C. Battleship Commission	Other Funds	Total Governmental Enterprise Funds	N.C. Housing Finance Agency	June 30, 1987	June 30, 1986
$ 2,908	$ 359	$ 1.252	$ 66	$ 191.689	$	$ 191,689	$ 175,029
		107		107	81.677	81,784	82.558
1,543			343	1,920		1,920	4,666
116				116	2,091	2,207	6,387
		59	1	109	16.282	16.391	16.350
4		1		5.376	246	5,622	3.304
				(32.166)		(32,166)	(26.997)
4.571	359	1.419	410	167.151	100.296	267,447	261,297
1,936	194	496	242	126.928		126,928	109.110
153	46	42	65	36.346		36,346	31.017
1.129	18	306	42	10.272	3.227	13.499	15.594
					72.776	72,776	74,408
440	66	100	63	13.013	2.789	15,802	11.155
		280		481		481	419
759	20	17	11	3.000		3,000	7,805
4,417	344	1.241	423	190,040	78.792	268,832	249,508
154	15	178	(13)	(22,889)	21.504	(1,385)	11.789
14	2	(32)		(299)		(299)	(378)
	36			756		756	980
				520		520	205
					(15.845)	(15,845)	(15,771)
				(399)		(399)	(482)
	4		(1)	5,415		5,415	(430)
14	42	(32)	(1)	5,993	(15.845)	(9,852)	(15,876)
168	57	146	(14)	(16,896)	5.659	(11,237)	(4,087)
150				22,705		22,705	21.791
(320)			(2)	(1.226)		(1,226)	(304)
(170)			(2)	21.479		21,479	21,487
(2)	57	146	(16)	4.583	5.659	10,242	
				(241)	(2,649)	(2,890)	
(2)	57	146	(16)	4.342	3.010	7,352	17.400
9.367	808	2,299	1.670	205.245	48.535	253,780	223.550
			(411)	(148)		(148)	11,739
				(112)		(112)	(35)
							1,126
$ 9.365	$ 865	$ 2.445	$ 1.243	$ 209.327	$ 51.545	$ 260,872	$ 253,780

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION ALL ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 1987

(Expressed in Thousands)

	Governmental Enterprise Funds		
	N. C. Memorial Hospital	State Ports Authority	Blind Services Business Enterprise
Sources of Working Capital:			
Operations:			
Net Income	$ 3,422	$ 779	$ (44)
Items Not Requiring (Providing) Working Capital			
Depreciation and Amortization	8,670	3,674	
(Gain) Loss on Sale of Fixed Assets	289	(6)	
Working Capital Provided by Operations	12,381	4,447	(44)
Proceeds from Sale of Bonds, Net of Issuance Cost			
Proceeds from Sale of Investments, Net of Purchases			
Other Sources:			
Repayments on Mortgage Loans			
Proceeds from Sale of Fixed Assets		8	
Miscellaneous	214		
Reduction in Non-Current Assets	440		
Fixed Assets Provided by Capital Project Funds			
Total Sources of Working Capital	13,035	4,455	(44)
Uses of Working Capital:			
Acquisition of Fixed Assets	14,081	5,854	
Purchase of Investments, Net of Sales			
Purchase of Mortgage Loans Receivable			
Other Uses:			
Retirement of Lease Obligation			
Increase in Long-Term Restricted Assets			
Increase in Investments			
Retirement of Long-Term Debt		742	
Deferred Charges - Maintenance Dredging		129	
Reclassification Long-Term Debt			
Increase in Non-Current Prepaid Expenses	2		
Other Uses			112
Total Uses of Working Capital	14,083	6,725	112
Net Increase (Decrease) In Working Capital	$ (1,048)	$ (2,270)	$ (156)

Exhibit F-3
Page 1 of 2

Governmental Enterprise Funds							
State Fair	Ports Railway Commission	U.S.S. N.C. Battleship Commission	Other Funds	Total Governmental Enterprise Funds	N.C. Housing Finance Agency	Totals June 30, 1987	Totals June 30, 1986
$ (2)	$ 57	$ 146	$ (16)	$ 4,342	$ 3,010	$ 7,352	$ 17,400
440	66	100	63	13,013	2,789	15,802	12,310
(14)	(2)	32		299		299	378
424	121	278	47	17,654	5,799	23,453	30,088
					57,613	57,613	186,266
					82,373	82,373	83,678
					47,452	47,452	22,796
17	18			43		43	54
				214	64	278	556
		965		1,405	145	1,550	866
							600
441	139	1,243	47	19,316	193,446	212,762	324,904
93	284	1,159	5	21,476		21,476	21,350
					7,006	7,006	72,180
					62,648	62,648	201,711
4			8	12		12	
							1,100
		1		1		1	
	40	58		840	130,444	131,284	35,590
				129		129	183
							14,760
				2		2	
				112	604	716	254
97	324	1,218	13	22,572	200,702	223,274	347,128
$ 344	$ (185)	$ 25	$ 34	$ (3,256)	$ (7,256)	$ (10,512)	$ (22,224)

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION ALL ENTERPRISE FUNDS (CONTINUED)

For the Fiscal Year Ended June 30, 1987

(Expressed in Thousands)

	Governmental Enterprise Funds		
	N. C. Memorial Hospital	State Ports Authority	Blind Services Business Enterprise
Elements of Net Increase (Decrease) In Working Capital:			
Cash and Cash Equivalents	$ (6,221)	$ 357	$ (7)
Investments		(1,936)	
Accounts Receivable	1,841	(602)	(14)
Due From Governmental Entities	2,459		
Interest Receivable	3		
Interfund Receivables	1		
Inventories	429	7	(137)
Prepaid Expenses	193	(14)	
Accounts Payable	1,479	(152)	2
Accrued Payroll	(895)		
Due To Other Governmental Entities			
Interfund Payables	(1)		
Notes Payable		188	
Capital Leases Payable			
Bonds Payable		(15)	
Interest Payable			
Deposits Payable	1		
Accrued Vacation Leave	(352)	(103)	
Deferred Revenue	15		
Net Increase (Decrease) In Working Capital	$ (1,048)	$ (2,270)	$ (156)

Exhibit F-3
Page 2 of 2

Governmental Enterprise Funds							
State Fair	Ports Railway Commission	U.S.S. N.C. Battleship Commission	Other Funds	Total Governmental Enterprise Funds	N.C. Housing Finance Agency	Totals June 30, 1987	Totals June 30, 1986
$ 253	$ (23)	$ 18	$ 33	$ (5,590)	$ 834	$ (4,756)	$ 2,327
	(105)	1		(2,040)		(2,040)	457
(13)	(28)	1	(1)	1,184	(81)	1,103	(1,619)
				2,459		2,459	
		1		4	(2,137)	(2,133)	995
				1		1	(5)
30		(10)		319		319	235
	(74)			105	(318)	(213)	553
(29)	32	15	(1)	1,346	(559)	787	(515)
31		1	(1)	(864)		(864)	(581)
					(239)	(239)	
76				75		75	265
	(10)			178		178	(47)
			4	4		4	209
		(4)		(19)	(246)	(265)	(14,829)
		2		2	(3,593)	(3,591)	(9,701)
				1	167	168	182
(2)	23			(434)		(434)	(294)
(2)				13	(1,084)	(1,071)	144
$ 344	$ (185)	$ 25	$ 34	$ (3,256)	$ (7,256)	$ (10,512)	$ (22,224)

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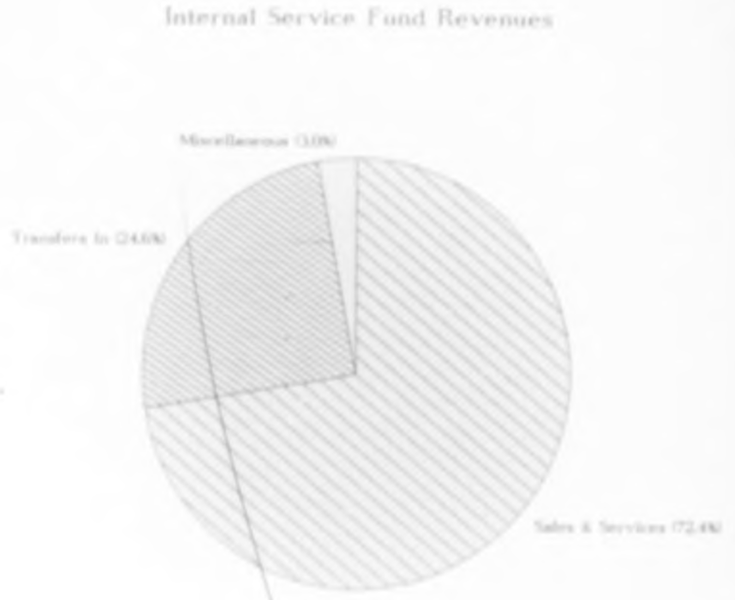
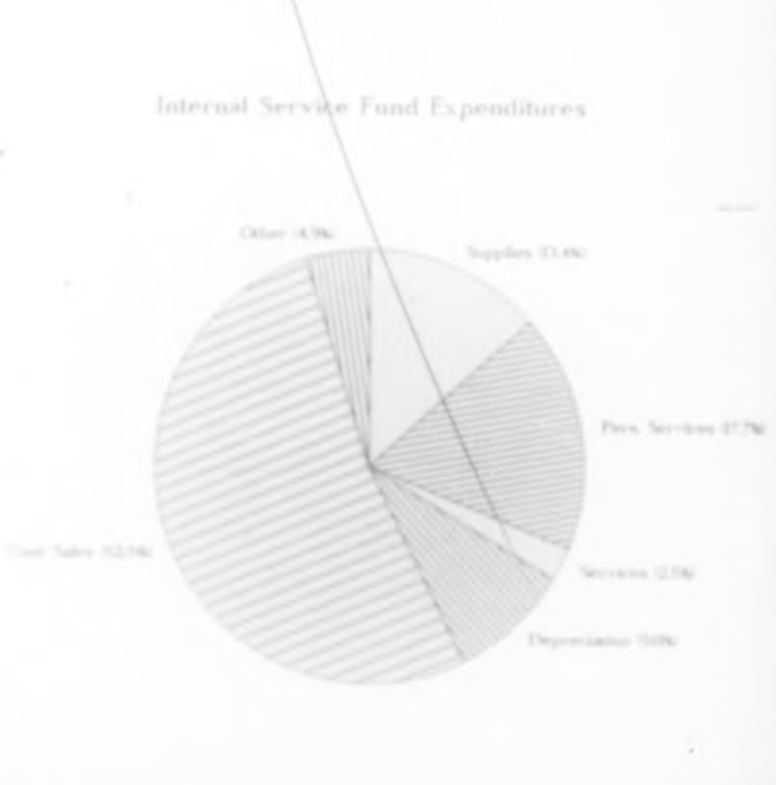
INTERNAL SERVICE FUNDS

The Internal Service Funds are maintained to account for the operations of State agencies that provide services to other State agencies, departments or other governmental units on a cost reimbursement basis. The Internal Service Fund activities include Highway Equipment, Prison Enterprises, Central Government Services (telephone service, computer center, computer systems development, printshop, courier services, parking lots), Motor Fleet Management, Educational Materials and School Buses (textbooks, school buses, TV materials), and other service funds (John Umstead Hospital Laundry and other service activities, Cherry Hospital Laundry, Cultural Resources Processing Center, Clerk of Courts Mimeographing, Administration Federal Surplus Property).

The graph provides a breakdown of Internal Service Funds revenues and expenses for the year ended June 30, 1987, on the accrual basis of accounting (GAAP). Under this basis, total expenses and other uses exceeded revenues and other sources by $4 million in 1987.


Internal Service Fund Revenues


Internal Service Fund Expenditures

COMBINING BALANCE SHEET
ALL INTERNAL SERVICE FUNDS

June 30, 1987
(Expressed in Thousands)

Assets	Highway Equipment	Prison Enterprises	Central Governmental Services
Current Assets:			
Cash and Cash Equivalents	$	$ 4,759	$ 7,165
Investments (at Cost, which Approximates Market Value)			391
Accounts Receivable		1,959	4,281
Due from Governmental Entities		314	
Interfund Receivables	17,756	176	
Inventories	9,106	7,210	327
Prepaid Expenses			1
Total Current Assets	26,862	14,418	12,165
Other Assets:			
Accounts Receivable			1
Prepaid Expenses			8
Total Other Assets			9
Fixed Assets:			
Land and Improvements			2,741
Buildings and Fixed Equipment		3,668	5,125
Other Structures and Improvements			2,018
Machinery and Equipment	3,280	9,632	22,161
Motor Vehicles and Motorized Equipment	172,512		5
Construction In Progress		1,123	
Accumulated Depreciation	(110,985)	(7,320)	(6,507)
Total Fixed Assets	64,807	7,103	25,543
Total Assets	$ 91,669	$ 21,521	$ 37,717

Exhibit G-1
Page 1 of 2

Motor Fleet Management	Educational Materials & School Buses	Oil Re-Refining Facility	Other Funds	Totals June 30, 1987	Totals June 30, 1986
$ 5,512	$ 7,929	$	$ 1,062	$ 26,427	$ 35,684
				391	343
1,644	52		464	8,400	7,111
	5,047			5,361	585
			8	17,940	6,800
92	5,771		129	22,635	41,342
				1	
7,248	18,799		1,663	81,155	91,865
				1	
				8	10
				9	10
406			38	3,185	3,185
615			5,522	14,930	11,838
4			1,307	3,329	2,535
204			2,067	37,344	29,925
40,975			274	213,766	213,319
				1,123	900
(12,030)			(3,939)	(140,781)	(133,603)
30,174			5,269	132,896	128,099
$ 37,422	$ 18,799	$	$ 6,932	$ 214,060	$ 219,974

COMBINING BALANCE SHEET
ALL INTERNAL SERVICE FUNDS (CONTINUED)

June 30, 1987

(Expressed in Thousands)

Liabilities and Fund Equity	Highway Equipment	Prison Enterprises	Central Governmental Services
Liabilities:			
Current Liabilities:			
Accounts Payable	$	$ 951	$ 1,213
Accrued Payroll		24	68
Due to Other Governmental Entities		3	
Interfund Payables	3	102	
Bonds Payable (Due Within One Year)			60
Interest Payable			52
Notes Payable			
Capital Leases Payable			3,904
Deposits Payable			
Deferred Revenue			1
Total Current Liabilities	3	1,080	5,298
Long-Term Liabilities:			
Interfund Payables	2,792		
Notes Payable			
Capital Leases Payable			6,524
Bonds Payable			1,415
Total Long-Term Liabilities	2,792		7,939
Total Liabilities	2,795	1,080	13,237
Fund Equity:			
Contributed Capital		2,743	7,429
Retained Earnings	88,874	17,698	17,051
Total Fund Equity	88,874	20,441	24,480
Total Liabilities and Fund Equity	$ 91,669	$ 21,521	$ 37,717

Exhibit G-1
Page 2 of 2

Motor Fleet Management	Educational Materials & School Buses	Oil Re-Refining Facility	Other Funds	Totals June 30, 1987	Totals June 30, 1986
$ 702	$ 7,018	$	$ 241	$ 10,125	$ 18,379
	2		10	104	1,191
	337			340	7
			11	116	123
				60	55
				52	53
			13	13	13
				3,904	2,646
			15	15	14
				1	1
702	7,357		290	14,730	22,482
				2,792	
			34	34	34
				6,524	7,269
				1,415	1,475
			34	10,765	8,778
702	7,357		324	25,495	31,260
21,144			5,318	36,634	34,000
15,576	11,442		1,290	151,931	154,714
36,720	11,442		6,608	188,565	188,714
$ 37,422	$ 18,799	$	$ 6,932	$ 214,060	$ 219,974

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY ALL INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1987

	Highway Equipment	Prison Enterprises	Central Governmental Services
Operating Revenues:			
Charges for Sales and Services	$ 68.521	$ 28.976	$ 37.564
Rental and Lease Earnings			789
Fees, Licenses and Fines			
Miscellaneous			
Local Funds			
Total Operating Revenues	68.521	28.976	38.353
Operating Expenses:			
Personal Services	21.207	5.276	7.953
Supplies and Materials	25.422	1.168	846
Services	1.587	1.175	1.760
Depreciation	14.727	761	3.795
Cost of Goods/Services Sold		17.603	16.728
Other Expenses	4.513	472	2.929
Total Operating Expenses	67.456	26.455	34.011
Operating Income (Loss)	1.065	2.521	4.342
Nonoperating Revenues (Expenses):			
Gain (Loss) on Sale of Property and Equipment	2.414	42	(481)
Insurance Recoveries			
Interest Revenue (Expenses)			(101)
Miscellaneous	325	(425)	29
Total Nonoperating Revenues (Expenses)	2.739	(383)	(553)
Income (Loss) Before Operating Transfers	3.804	2.138	3.789
Operating Transfers In (Out):			
Operating Transfers In			
Operating Transfers Out		(940)	(493)
Total Operating Transfers In (Out)		(940)	(493)
Net Income (Loss)	3.804	1.198	3.296
Fund Equity - July 1 - As Previously Reported	85.070	19.243	21.459
Restatements			
Residual Equity Transfers			
Increase (Decrease) in Contributed Capital			(275)
Fund Equity - June 30	$ 88.874	$ 20.441	$ 24.480

Exhibit G-2

Motor Fleet Management	Educational Materials & School Buses	Oil Re-Refining Facility	Other Funds	Totals June 30, 1987	Totals June 30, 1986
$ 14.826	$ 369	$	$ 5,205	$ 155,461	$ 145.108
			58	847	907
220	588		219	1,027	394
	38		12	50	1
	2.205			2,205	2.154
15.046	3.200		5.494	159,590	148.564
1.186	3		2,976	38,601	38.241
20	35		1,696	29,187	31,611
227	120		660	5,529	5.477
55			396	19,734	17,053
9.661	70.422		9	114,423	106.438
1.063			104	9,081	7.872
12.212	70.580		5,841	216.555	206,692
2.834	(67.380)		(347)	(56,965)	(58.128)
(434)	639		1	2,181	754
106				106	141
			(2)	(103)	(669)
9			52	(10)	6.356
(319)	639		51	2,174	6,582
2.515	(66.741)		(296)	(54,791)	(51.546)
1	52.497	200	25	52,723	61,981
			(3)	(1,436)	(987)
1	52.497	200	22	51,287	60,994
2.516	(14.244)	200	(274)	(3,504)	9.448
32.558	25,686	(472)	5.170	188,714	167.977
			(272)	(272)	(15)
					3,535
1.646		272	1,984	3,627	7,769
$ 36.720	$ 11.442	$	$ 6.608	$ 188,565	$ 188.714

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1987

(Expressed in Thousands)

	Highway Equipment	Prison Enterprises	Central Governmental Services
Sources of Working Capital:			
Operations:			
Net Income (Loss)	$ 3,804	$ 1,198	$ 3,296
Items Not (Providing) Requiring Working Capital:			
Depreciation	14,727	761	3,795
(Gain) Loss on Sale of Fixed Assets		(42)	481
Interfund Debt Cancelled			
Working Capital Provided by Operations	18,531	1,917	7,572
Residual Equity Transfers			
Other Sources:			
Proceeds from Sale of Fixed Assets	78	49	2,076
Proceeds from Issuance of Capital Leases			7,041
Donated Capital			
Assumption of Long-Term Debt from Dept. of Transportation			2,557
Other	3,280		1
Total Sources of Working Capital	21,889	1,966	19,247
Uses of Working Capital:			
Acquisition of Fixed Assets	10,770	1,722	7,092
Other Uses:			
Retirement of Revenue Bonds			60
Reclassification On Retirement of Long-Term Debt			10,343
Transfer of Equipment from DOT			2,282
Donated Capital Refunded			
Other	487		275
Total Uses of Working Capital	11,257	1,722	20,052
Net Increase (Decrease) in Working Capital	$ 10,632	$ 244	$ (805)
Elements of Net Increase (Decrease) In Working Capital:			
Cash and Cash Equivalents		142	(766)
Investments			48
Accounts Receivable		478	711
Due from Governmental Entities		(61)	
Interfund Receivables	11,136	4	
Inventories	(847)	(178)	198
Prepaid Expenses			1
Accounts Payable	346	(162)	304
Accrued Payroll			(39)
Due to Other Governmental Entities			
Interfund Payables	(3)	21	
Capital Leases Payable			(1,258)
Bonds Payable			(5)
Interest Payable			1
Deposits Payable			
Deferred Revenue			
Net Increase (Decrease) In Working Capital	$ 10,632	$ 244	$ (805)

Exhibit G-3

Motor Fleet Management	Educational Materials & School Buses	Oil Re-Refining Facility	Other Funds	Totals June 30, 1987	Totals June 30, 1986
$ 2,516	$ (14,244)	$ 200	$ (274)	$ (3,504)	$ 9,448
5,312			396	24,991	22,495
434			(1)	872	1,259
					(1,475)
8,262	(14,244)	200	121	22,359	31,727
					3,535
1,883			1	4,087	1,256
				7,041	6,900
1,646		272		1,918	7
				2,557	
				3,281	7,811
11,791	(14,244)	472	122	41,243	51,236
11,029			134	30,747	51,773
				60	55
				10,343	3,110
				2,282	
					47
				762	104
11,029			134	44,194	55,089
$ 762	$ (14,244)	$ 472	$ (12)	$ (2,951)	$ (3,853)
(301)	(8,837)	487	18	(9,257)	10,749
				48	247
132	40	(15)	(50)	1,296	(2,331)
	4,837			4,776	
				11,140	(13,924)
(7)	(17,911)		38	(18,707)	4,602
				1	
938	6,835		(7)	8,254	(2,083)
	1,125		1	1,087	
	(333)			(333)	
			(11)	7	3
				(1,258)	(1,132)
				(5)	
				1	
			(1)	(1)	
					16
$ 762	$ (14,244)	$ 472	$ (12)	$ (2,951)	$ (3,853)

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TRUST AND AGENCY FUNDS

The Trust and Agency Funds are maintained to account for assets held by the State in the capacity of a trustee or agent. These funds include Expendable Trusts, Nonexpendable Trusts, Pension Trusts and Agency Funds. These activities include:

1. Expendable Trusts (Modified Accrual Basis) - Various trust funds administered by the State including significant funds for unemployment compensation, employees health plan and death and disability benefits, State Escheats Fund and numerous departmental trusts.

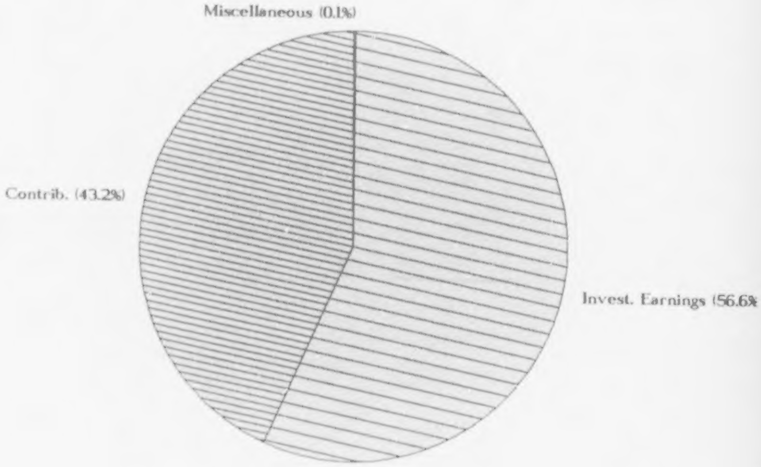
2. Nonexpendable Trusts (Accrual Basis) - Nine trust funds administered by the State primarily related to loan programs, Wildlife Endowment, and State Property Fire Insurance.

3. Pension Trusts (Accrual Basis) - Six trust funds reflecting the activities of the Retirement Systems administered by the State. Employees participate in the appropriate retirement system based on job classification.

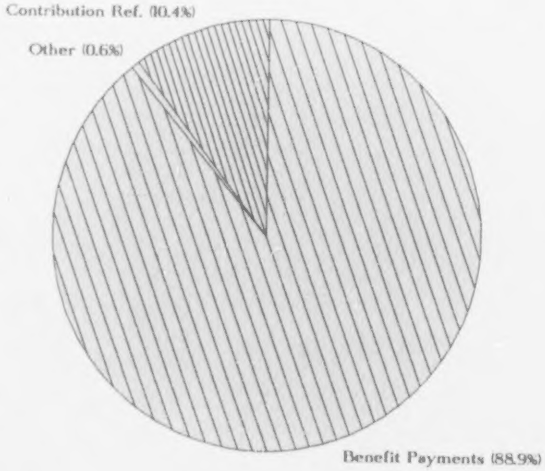
4. Agency Funds (Assets = Liabilities) - Numerous departmental funds and Employee Deferred Compensation Plan for which the State acts solely in a custodial capacity.

The graph provides a breakdown of Pension Trust Funds revenues and expenses for the year ended June 30, 1987, on the accrual basis of accounting (GAAP).

Pension Trust Fund Revenues



Pension Trust Fund Expenditures



COMBINING BALANCE SHEET
ALL TRUST AND AGENCY FUNDS

June 30, 1987

(Expressed In Thousands)

Assets	Expendable Trust Funds	Nonexpendable Trust Funds	Pension Trust Funds
Cash and Cash Equivalents	$ 1,246,452	$ 69,220	$ 21,886
Investments	191,214	32,187	11,470,554
Receivables:			
Accounts Receivable	19,574	68	166
Due from Other Governments	2,173	1,927	
Investment Earnings	623	1,234	515
Contributions	4,687		75,360
Premiums	19		
Interfund Receivables	1,343	3,572	
Notes Receivable	9,767	83,870	
Inventory of Supplies	628		
Securities Held in Trust	106		
Prepaid Expenses		525	
Total Assets	$ 1,476,586	$ 192,603	$ 11,568,481
Liabilities and Fund Balances			
Liabilities:			
Payables:			
Accounts Payable	$ 3,964	$	$ 11
Claims and Benefits Payable	53,918	324	106
Accrued Payroll	8		
Due to Other Governments	610		
Due to Plan Participants			
Interfund Payables	5,040	24	
Bonds Payable		25,620	
Interest Payable		488	
Deposits Payable	120		
Deferred Revenue	20,835	1,041	
Total Liabilities	84,495	27,497	117
Fund Balances:			
Reserved	1,427,068	165,106	11,568,364
Unreserved:			
Undesignated	(34,977)		
Total Fund Balances	1,392,091	165,106	11,568,364
Total Liabilities and Fund Balances	$ 1,476,586	$ 192,603	$ 11,568,481

Exhibit H-1

Agency			Totals	
Departmental	Deferred Compensation Plan	Total Agency	June 30, 1987	June 30, 1986
$ 178,632	$ 1,168	$ 179,800	$ 1,517,358	$ 1,314,511
	107,655	107,655	11,801,610	10,294,269
837		837	20,645	17,982
1,278		1,278	5,378	4,840
208		208	2,580	3,087
	1,778	1,778	81,825	73,176
			19	218
8,014		8,014	12,929	4,510
100		100	93,737	98,188
			628	519
211,403		211,403	211,509	199,259
			525	828
$ 400,472	$ 110,601	$ 511,073	$ 13,748,743	$ 12,011,387
$ 1,374	$	$ 1,374	$ 5,349	$ 18,395
2,713		2,713	57,061	67,843
			8	9
54,060		54,060	54,670	31,111
	110,601	110,601	110,601	91,191
23,323		23,323	28,387	39,750
			25,620	59,410
			488	1,393
319,002		319,002	319,122	287,082
			21,876	16,424
400,472	110,601	511,073	623,182	612,608
			13,160,538	11,414,925
			(34,977)	(16,146)
			13,125,561	11,398,779
$ 400,472	$ 110,601	$ 511,073	$ 13,748,743	$ 12,011,387

COMBINING BALANCE SHEET
ALL EXPENDABLE TRUST FUNDS

June 30, 1987
(Expressed in Thousands)

Assets	Employment Security Commission	State Health Plan	Escheats	Teachers' & State Employees' Benefit Trust
Cash and Cash Equivalents	$ 1.193.100	$ 11.855	$ 377	$ 4.115
Investments			45.636	53.847
Receivables:				
Accounts Receivable	18.745	440		11
Due from Other Governments	2.161			
Investment Earnings	96	181	2	31
Contributions				4.687
Premiums		19		
Interfund Receivables				
Notes Receivable				
Inventory of Supplies				
Securities Held In Trust				
Total Assets	$ 1.214.102	$ 12.495	$ 46.015	$ 62.691
Liabilities and Fund Balances				
Liabilities:				
Payables:				
Accounts Payable	$ 3.758	$ 41	$ 91	$
Claims and Benefits Payable	4.953	47.412		1.131
Accrued Payroll				
Due to Other Governments	486			
Interfund Payables			3.572	996
Deposits Payable				
Deferred Revenue	20.776	19		
Total Liabilities	29.973	47.472	3.663	2.127
Fund Balances:				
Reserved	1.184.129		42.352	60.564
Unreserved:				
Undesignated		(34.977)		
Total Fund Balances	1.184.129	(34.977)	42.352	60.564
Total Liabilities and Fund Balances	$ 1.214.102	$ 12.495	$ 46.015	$ 62.691

Exhibit H-2

Employee Disability Fund	401-K Supplemental Retirement Income Plan	Departmental	Totals	
			June 30, 1987	June 30, 1986
$ 1,076	$ 41	$ 35,888	$ 1,246,452	$ 1,076,628
2,184	89,279	268	191,214	154,582
225		153	19,574	16,756
		12	2,173	371
9		304	623	815
			4,687	4,186
			19	218
	996	347	1,343	367
	6,635	3,132	9,767	5,774
		628	628	519
		106	106	5
$ 3,494	$ 96,951	$ 40,838	$ 1,476,586	$ 1,260,221
$	$	$ 74	$ 3,964	$ 221
93		329	53,918	65,838
		8	8	9
		124	610	2,197
		472	5,040	3,793
		120	120	25
		40	20,835	15,641
93		1,167	84,495	87,724
3,401	96,951	39,671	1,427,068	1,188,643
			(34,977)	(16,146)
3,401	96,951	39,671	1,392,091	1,172,497
$ 3,494	$ 96,951	$ 40,838	$ 1,476,586	$ 1,260,221

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1987

(Expressed in Thousands)

	Employment Security Commission	State Health Plan	Escheats	Teachers' & State Employees' Benefit Trust
Revenues:				
Taxes	$ 307,804	$	$	$
Federal Funds	9,165			
Local Funds				
Investment Earnings	103,226	3,090	3,934	4,879
Sales and Services				
Sale, Rental and Lease of Property				
Fees, Licenses and Fines		232		902
Contributions				51,435
Insurance Premiums		215,692		
Miscellaneous	1,506	4	3	
Total Revenues	421,701	219,018	3,937	57,216
Expenditures:				
General Government		7,327	361	53
Public Safety and Regulation				
Corrections				
Education				
Health, Welfare and Rehabilitation				
Resource Development and Preservation				
Agriculture				
Claim and Benefit Payments	222,364	230,931		44,671
Total Expenditures	222,364	238,258	361	44,724
Excess Revenues Over (Under) Expenditures	199,337	(19,240)	3,576	12,492
Other Financing Sources (Uses):				
Operating Transfers In				
Operating Transfers Out		(11)	(3,573)	
Funds Escheated			7,058	
Refund of Funds Escheated			(1,162)	
Total Other Financing Sources (Uses)		(11)	2,323	
Excess Revenue and Other Sources Over (Under) Expenditures and Other Uses	199,337	(19,251)	5,899	12,492
Fund Balances - July 1 - As Previously Reported	984,792	(16,146)	36,453	49,068
Restatements		420		(996)
Residual Equity Transfers				
Increase (Decrease) in Reserve for Related Assets				
Fund Balances - June 30	$ 1,184,129	$ (34,977)	$ 42,352	$ 60,564

Exhibit H-3

Employee Disability Fund	401-K Supplemental Retirement Income Plan	Departmental	Totals June 30, 1987	Totals June 30, 1986
$	$	$	$ 307,804	$ 409,406
		37	9,202	7,708
		243	243	318
439	8,703	3,038	127,309	106,946
		11,026	11,026	11,187
		233	233	245
	1,898	991	4,023	4,264
	16,918	546	68,899	56,744
			215,692	255,993
	267	913	2,693	2,370
439	27,786	17,027	747,124	855,181
188		527	8,456	8,301
		431	431	384
		9,572	9,572	9,509
		699	699	613
		1,916	1,916	1,810
		73	73	19
		517	517	422
2,722	6,566	2,146	509,400	539,907
2,910	6,566	15,881	531,064	560,965
(2,471)	21,220	1,146	216,060	294,216
		1,989	1,989	1,115
		(1,246)	(4,830)	(4,079)
			7,058	5,293
			(1,162)	(620)
		743	3,055	1,709
(2,471)	21,220	1,889	219,115	295,925
5,872	74,735	37,723	1,172,497	813,950
	996	(21)	399	23,403
				39,190
		80	80	29
$ 3,401	$ 96,951	$ 39,671	$ 1,392,091	$ 1,172,497

COMBINING BALANCE SHEET
ALL NONEXPENDABLE TRUST FUNDS

June 30, 1987
(Expressed in Thousands)

Assets	Insured Student Loan Program	Department of Public Education Public School Insurance	Department of Public Education Loan Funds	State Property Fire Insurance
Cash and Cash Equivalents	$ 5,461	$ 29,448	$ 4,299	$ 11,706
Investments	31,598			
Receivables:				
Accounts Receivable		16		52
Due From Other Governments	1,927			
Investment Earnings	325	209	272	83
Interfund Receivables	3,572			
Notes Receivable	75,079		5,455	
Prepaid Expenses	246	279		
Total Assets	$ 118,208	$ 29,952	$ 10,026	$ 11,841
Liabilities and Fund Balances				
Liabilities:				
Payables:				
Accounts Payable	$	$	$	$
Claims Payable		315		9
Interfund Payables				8
Bonds Payable	25,620			
Interest Payable	488			
Deferred Revenue		643		398
Total Liabilities	26,108	958		415
Fund Balances:				
Reserved	92,100	28,994	10,026	11,426
Total Liabilities and Fund Balances	$ 118,208	$ 29,952	$ 10,026	$ 11,841

Exhibit H-4

Student Loan Program	Wildlife Endowment Program	Community Colleges Loans & Scholarships	Natural Resources and Community Development Loan Funds	Other Funds	Totals June 30, 1987	Totals June 30, 1986
$ 752	$ 13,084	$ 4,184	$ 145	$ 141	$ 69,220	$ 55,884
		589			32,187	48,917
					68	123
					1,927	1,572
241	72	31		1	1,234	1,833
					3,572	3,346
3,193		18	125		83,870	92,314
					525	828
$ 4,186	$ 13,156	$ 4,822	$ 270	$ 142	$ 192,603	$ 204,817
$	$	$	$	$	$	$ 3
					324	1,930
	16				24	9
					25,620	59,410
					488	1,393
					1,041	783
	16				27,497	63,528
4,186	13,140	4,822	270	142	165,106	141,289
$ 4,186	$ 13,156	$ 4,822	$ 270	$ 142	$ 192,603	$ 204,817

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES ALL NONEXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1987

(Expressed in Thousands)

		Department of Public Education		
	Insured Student Loan Program	Public School Insurance	Loan Funds	State Property Fire Insurance
Operating Revenues:				
Federal Funds	$ 2,930	$	$	$
Investment Earnings	2,090	2,414	322	1,001
Interest Earnings on Loans	4,592		191	
Fees, Licenses and Fines				
Contributions				
Insurance Premiums		1,975		2,106
Miscellaneous				
Total Operating Revenues	9,612	4,389	513	3,107
Operating Expenses:				
Personal Services		327		
Services	1,125	36		
Interest Expense	2,025			
Claim Payments		949		142
Loan Cancellations and Write-offs			286	
Other Expenses	271	642	2	912
Total Operating Expenses	3,421	1,954	288	1,054
Operating Income (Loss)	6,191	2,435	225	2,053
Operating Transfers In	3,572		1,250	
Operating transfers out			(33)	(1,996)
Net Income	9,763	2,435	1,442	57
Fund Balances - July 1 - As Previously Reported	82,337	26,559	8,584	11,369
Restatements				
Fund Balances - June 30	$ 92,100	$ 28,994	$ 10,026	$ 11,426

Exhibit H-5

Student Loan Program	Wildlife Endowment Fund	Community Colleges Loans & Scholarships	Natural Resources and Community Development Loan Funds	Other Funds	Totals June 30, 1987	Totals June 30, 1986
$	$	$	$	$	$ 2,930	$ 4,295
536	644	396		1	7,404	8,320
					4,783	5,278
	7,135			40	7,175	1,436
	10	214		11	235	67
					4,081	3,236
		13		9	22	
536	7,789	623		61	26,630	22,632
		4			331	321
					1,161	1,309
					2,025	4,267
					1,091	2,706
796					1,082	1,314
		453			2,280	1,813
796		457			7,970	11,730
(260)	7,789	166		61	18,660	10,902
880		2,000			7,702	5,047
	(514)				(2,543)	(2,104)
620	7,275	2,166		61	23,819	13,845
3,566	5,865	2,658	270	81	141,289	127,665
		(2)			(2)	(221)
$ 4,186	$ 13,140	$ 4,822	$ 270	$ 142	$ 165,106	$ 141,289

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION ALL NONEXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1987

(Expressed in Thousands)

		Department of Public Education		
Sources of Working Capital:	Insured Student Loan Program	Public School Insurance	Loan Funds	State Property Fire Insurance
Operations:				
Net Income (Loss)	$ 9.763	$ 2.435	$ 1.442	$ 57
Items Not Requiring (Providing) Working Capital:				
Amortization	244			
Loss on Sale of Investments				
Working Capital Provided by Operations	10,007	2,435	1,442	57
Proceeds from Sale of Investments	80,270			
Other Sources:				
Principal Collections on Loans	12,630			
Collection of Long-Term Notes Receivable				
Total Sources of Working Capital	102,907	2,435	1,442	57
Uses of Working Capital:				
Purchase of Investments	63,423			
Other Uses:				
Retirement of Bonds	33,790			
Issuance of Student Loans	3,516		296	
Total Uses of Working Capital	100,729		296	
Net Increase (Decrease) in Working Capital	$ 2,178	$ 2,435	$ 1,146	$ 57
Elements of Net Increase (Decrease) in Working Capital:				
Cash	$ 1,424	$ 1,356	$ 1,123	$ (73)
Investments				
Receivables	(377)	(52)	35	(32)
Interfund Receivables	226			
Notes Receivable - Current			(12)	
Prepaid Expenses		(59)		
Payables:				
Accounts Payable	905	3		
Claims Payable		1,228		378
Interfund Payables				1
Deferred Revenue		(41)		(217)
Net Increase (Decrease) in Working Capital	$ 2,178	$ 2,435	$ 1,146	$ 57

Exhibit H-6

Student Loan Program	Wildlife Endowment Fund	Community Colleges Loans and Scholarships	Natural Resources and Community Development Loan Funds	Other Funds	Totals June 30, 1987	Totals June 30, 1986
$ 620	$ 7,275	$ 2,166	$	$ 61	$ 23,819	$ 13,845
					244	142
						2
620	7,275	2,166		61	24,063	13,989
					80,270	105,841
					12,630	13,648
			25		25	25
620	7,275	2,166	25	61	116,988	133,503
					63,423	115,062
					33,790	8,065
412					4,224	4,571
412					101,437	127,698
$ 208	$ 7,275	$ 2,166	$ 25	$ 61	$ 15,551	$ 5,805
$ 103	$ 7,264	$ 2,055	$ 25	$ 60	$ 13,337	$ 7,610
		117			117	42
105	27	(5)		1	(298)	(635)
					226	448
		(1)			(13)	28
					(59)	99
					908	176
					1,606	(1,844)
	(16)				(15)	(1)
					(258)	(118)
$ 208	$ 7,275	$ 2,166	$ 25	$ 61	$ 15,551	$ 5,805

COMBINING BALANCE SHEET
ALL PENSION TRUST FUNDS

June 30, 1987

(Expressed In Thousands)

Assets	Teachers' and State Employees' Retirement System	Local Governmental Employees' Retirement System
Cash and Cash Equivalents	$ 15,806	$ 3,562
Investments	9,333,309	2,018,605
Receivables:		
Accounts Receivable	107	59
Investment Earnings	422	71
Contributions	61,378	13,321
Total Assets	$ 9,411,022	$ 2,035,618
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	$	$
Benefits Payable	74	28
Total Liabilities	74	28
Fund Balances:		
Reserved	9,410,948	2,035,590
Total Liabilities and Fund Balances	$ 9,411,022	$ 2,035,618

Exhibit H-7

Firemen's & Rescue Squad Workers' Pension Fund	Consolidated Judicial Retirement System	Legislative Retirement System	N. C. National Guard Pension Fund	Totals June 30, 1987	Totals June 30, 1986
$ 1,448	$ 519	$ 186	$ 365	$ 21,886	$ 14,819
50,225	62,525	2,085	3,805	11,470,554	10,001,848
				166	160
11	7	1	3	515	415
	601	60		75,360	67,826
$ 51,684	$ 63,652	$ 2,332	$ 4,173	$ 11,568,481	$ 10,085,068
$ 11	$	$	$	$ 11	$
			4	106	75
11			4	117	75
51,673	63,652	2,332	4,169	11,568,364	10,084,993
$ 51,684	$ 63,652	$ 2,332	$ 4,173	$ 11,568,481	$ 10,085,068

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES ALL PENSION TRUST FUNDS

For the Fiscal Year Ended June 30, 1987

(Expressed in Thousands)

	Teachers' and State Employees' Retirement System	Local Governmental Employees' Retirement System
Operating Revenues:		
Investment Earnings	$ 931,005	$ 198,890
Fees, Licenses and Fines		2,562
Contributions	685,035	165,982
Miscellaneous	391	15
Total Operating Revenues	1,616,431	367,449
Operating Expenses:		
Administration	2,568	784
Benefit Payments	398,425	68,336
Refund of Contributions	34,286	21,221
Other Expenses		3
Total Operating Expenses	435,279	90,344
Operating Income	1,181,152	277,105
Fund Balances - July 1 - As Previously Reported	8,229,796	1,754,882
Restatements		3,603
Residual Equity Transfers		
Fund Balances - June 30	$ 9,410,948	$ 2,035,590

Exhibit H-8

Firemen's & Rescue Squad Workers' Pension Fund	Consolidated Judicial Retirement System	Legislative Retirement System	North Carolina National Guard Pension Fund	Totals June 30, 1987	Totals June 30, 1986
$ 4,831	$ 6,181	$ 187	$ 411	$ 1,141,505	$ 1,025,782
				2,562	1,206
10,417	7,274	765	1,740	871,213	798,533
				406	413
15,248	13,455	952	2,151	2,015,686	1,825,934
	16	2		3,370	3,257
4,372	4,747	133	664	476,677	425,578
193	134	6	10	55,850	59,286
18				21	6
4,583	4,897	141	674	535,918	488,127
10,665	8,558	811	1,477	1,479,768	1,337,807
41,008	55,094	1,521	2,692	10,084,993	8,786,376
				3,603	
					(39,190)
$ 51,673	$ 63,652	$ 2,332	$ 4,169	$ 11,568,364	$ 10,084,993

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION ALL PENSION TRUST FUNDS

For the Fiscal Year Ended June 30, 1987

(Expressed in Thousands)

	Teachers' and State Employees' Retirement System	Local Governmental Employees' Retirement System
Sources of Working Capital:		
Net Income	$ 1,181,152	$ 277,105
Residual Equity Transfers		
Total Sources of Working Capital	1,181,152	277,105
Uses of Working Capital:		
Residual Equity Transfers		
Net Increase (Decrease) In Working Capital	$ 1,181,152	$ 277,105
Elements of Net Increase (Decrease) in Working Capital:		
Cash and Cash Equivalents	$ 5,420	$ 242
Investments	1,169,091	275,948
Receivables:		
Accounts Receivable	31	(25)
Investment Earnings	109	(17)
Contributions	6,520	966
Due From Employers		
Accounts Payable		
Benefits Payable	(19)	(9)
Net Increase (Decrease) In Working Capital	$ 1,181,152	$ 277,105

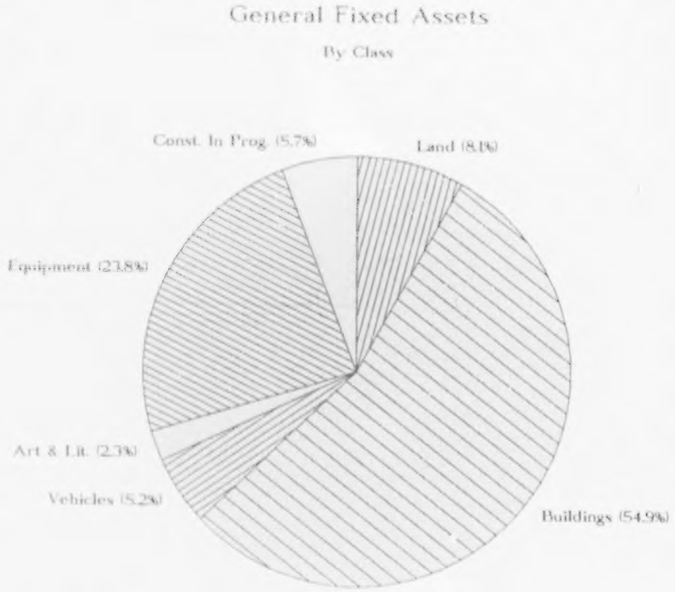
Exhibit H-9

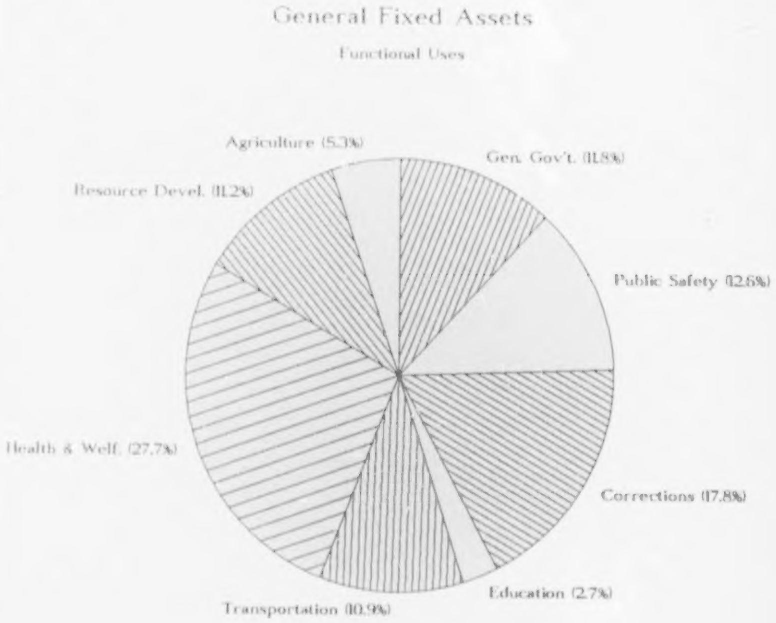
Firemen's & Rescue Squad Workers' Pension Fund	Consolidated Judicial Retirement System	Legislative Retirement System	North Carolina National Guard Pension Fund	Totals	
				June 30, 1987	June 30, 1986
$ 10,665	$ 8,558	$ 811	$ 1,477	$ 1,479,768	$ 1,337,807
					253,815
10,665	8,558	811	1,477	1,479,768	1,591,622
					293,005
$ 10,665	$ 8,558	$ 811	$ 1,477	$ 1,479,768	$ 1,298,617
$ 1,134	$ 17	$ 30	$ 224	$ 7,067	$ (266)
9,535	8,504	771	1,254	1,465,103	1,293,150
7	(1)	10	—	22	82
	38		2	132	(57)
				7,486	5,753
				—	(310)
(11)				(11)	248
			(3)	(31)	17
$ 10,665	$ 8,558	$ 811	$ 1,477	$ 1,479,768	$ 1,298,617

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is maintained to account for Fixed Assets acquired for general government purposes, except for those accounted for in Proprietary Funds or University Funds.

The graphs provide a comparison of Fixed Assets by class to Fixed Assets functional uses for the year ended June 30, 1987. General Fixed Assets are stated at historical cost and totaled $1.144 billion at June 30, 1987. Infrastructures, which include highways, bridges and right-of-way, are not capitalized. Depreciation expense is not recognized in the General Fixed Asset account group.





STATEMENT OF GENERAL FIXED ASSETS
BY FUNCTION

June 30, 1987

Exhibit I-1

(Expressed in Thousands)

Function	Land and Improv.	Buildings and Fixed Equipment	Machinery and Equipment	Motor Vehicles and Motorized Equipment	Art Works and Literature	Construction in Progress	Totals
General Government.....	$ 22,774	$ 90.145	$ 14.753	$ 488	$ 216	$ 11.024	$ 139,400
Public Safety and Regulation.........	14.510	56,928	52.448	24.533	741	206	149,366
Corrections...........	4,784	166,940	20,689			18,032	210,445
Education.............	1,091	7,642	13,395	239	347	9,194	31,908
Transportation........	16,668	49,079	63,211				128,958
Health, Welfare and Rehabilitation....	3,324	224,178	74,462	6,210	1,560	16,950	326,684
Resource Development and Preservation..	16,422	30,529	30,113	27,053	23,654	4,236	132,007
Agriculture...........	15,599	22,617	12,329	3,189	75	8,231	62,040
Total General Fixed Assets......	$ 95,172	$ 648,058	$ 281,400	$ 61,712	$ 26,593	$ 67,873	$ 1,180,808

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION

For the Fiscal Year Ended June 30, 1987

(Expressed in Thousands)

Exhibit I-2

Function	Balance July 1, 1986	Prior Year Adjustments	Additions	Deletions	Balance June 30, 1987
General Government	$ 127.637	$(2,060)	$ 14.579	$ 756	$ 139,400
Public Safety and Regulation	133.117	2	26.198	9.951	149,366
Corrections	198.796	(1)	13.235	1.585	210,445
Education	27.621	365	4.980	1.058	31,908
Transportation	130.923	9.614	10,791	22.370	128,958
Health, Welfare and Rehabilitation	314,745	(103)	24.326	12,284	326,684
Resource Development and Preservation	127,119	1,956	12,140	9.208	132,007
Agriculture	56,994	(486)	8,465	2,933	62,040
Total General Fixed Assets	$ 1.116.952	$ 9.287	$ 114.714	$ 60.145	$ 1.180,808

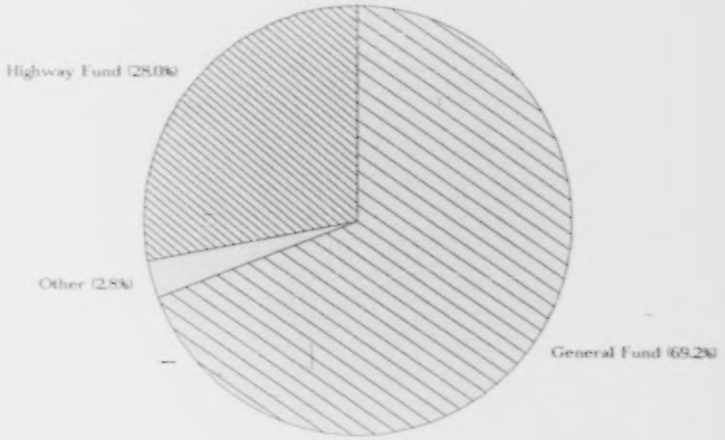
GENERAL LONG-TERM OBLIGATION ACCOUNT GROUP

The General Long-Term Obligations Account Group is maintained to account for the outstanding principal balances of the State's Long-Term Obligations not reported in Proprietary and University Funds. These include General Obligation Bonds for Capital Projects and certain revenue producing Capital Projects, the long-term portion of capital lease obligations, the long-term portion of the liability for accrued vacation, and the long-term portion of accounts payable relating primarily to workmen compensation claims.

The graph provides a comparison of total General Long-Term Obligations for the year ended June 30, 1987. General Long-Term Obligations totaled $886 million at June 30, 1987.

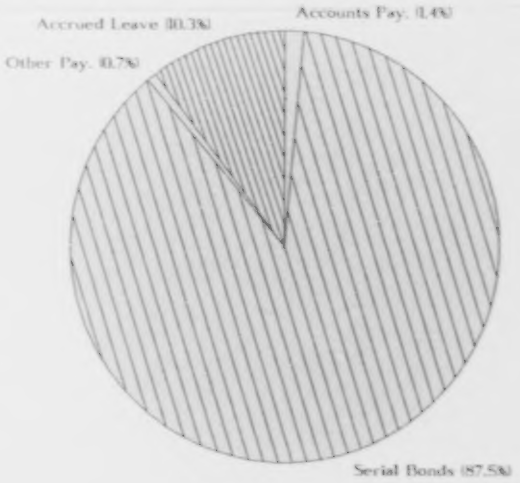
General Long-Term Obligations

Sources of Repayment



General Long-Term Obligations

By Class



STATEMENT OF GENERAL LONG-TERM OBLIGATIONS

June 30, 1987
(Expressed in Thousands)

Exhibit J-1

Amount Available and to be Provided for the Payment of General Long-Term Obligations

	June 30, 1987	June 30, 1986
Amount Available In Debt Service Funds	$ 4,180	$ 17,819
Amount to be Provided for Retirement of General Long-term Obligations:		
By General Fund	609,515	580,186
By Special Revenue Fund	18,669	21,055
By Debt Service Fund:		
Highways Bonds	248,380	238,301
Alcoholic Beverage Control Commission Revenue Bonds	1,896	2,520
Horse and Livestock Facility Revenue Bonds	708	1,096
Total Available and to be Provided	$ 883,348	$ 860,977

General Long-Term Obligations

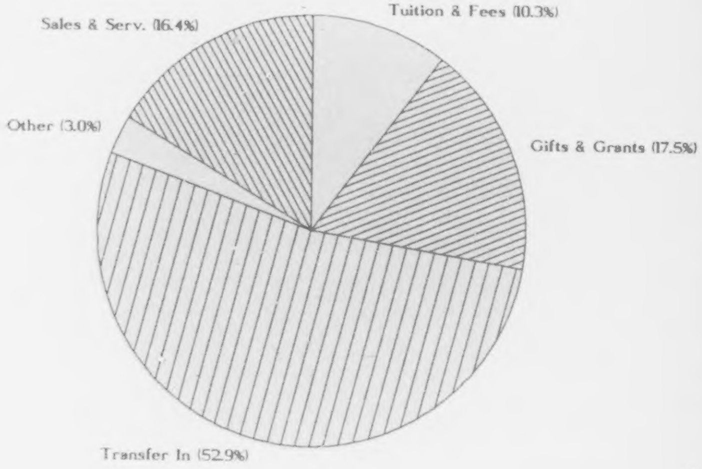
	June 30, 1987	June 30, 1986
Accounts Payable	$ 12,610	$ 1,743
Capital Leases Payable	1,077	5,527
Revenue Bonds Payable	5,164	5,736
Serial Bonds Payable	775,500	762,000
Accrued Vacation Leave	88,997	85,971
Total General Long-term Obligations	$ 883,348	$ 860,977

UNIVERSITY FUNDS

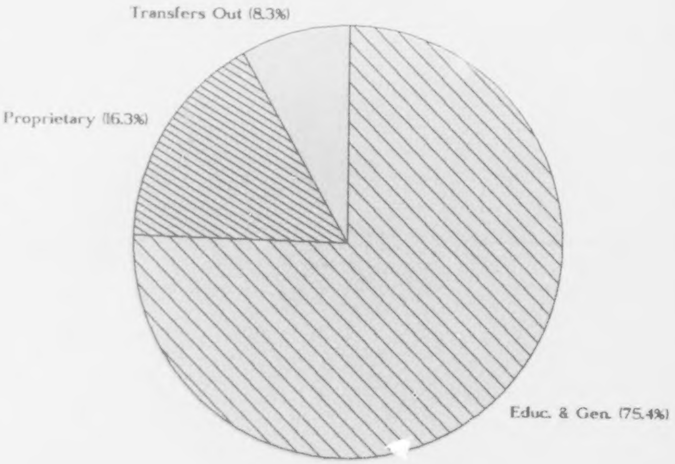
The University Funds account for the operations of sixteen institutions of the Consolidated University System and UNC - General Administration. The University Funds are presented in conformance with the National Association of College and University Business Officers' (NACUBO) and the American Institute of Certified Public Accountants' (AICPA) recommended formats. The University System is governed by a single Board of Governors with each of the sixteen institutions having its own board of trustees. The constitutionally authorized Board of Governors is composed of thirty-two members elected by the General Assembly, with authority to choose their own chairman and other offices. University-wide administration and execution of board policy is the responsibility of the President of the University. The President, the officers of the University, and their supporting staffs constitute the General Administration of the University.

The graph provides a breakdown of University Current Funds Revenues and Expenditures for the year ended June 30, 1987 on the accrual basis of accounting (GAAP). Under this basis, total revenues and other sources exceeded total expenditures and other uses by $24 million in 1987.

University Current Fund Revenues



University Current Fund Expenditures



COMBINING BALANCE SHEET
ALL UNIVERSITY FUNDS

June 30, 1987

Exhibit K-1

(Expressed in Thousands)

	University Fund Types			Total	
Assets	Current	Fiduciary	Plant	June 30, 1987	June 30, 1986
Cash and Cash Equivalents	$ 208.035	$ 24.880	$ 218.492	$ 451.407	$ 403.405
Cash With Fiscal Agents	1.347	35.362	22.657	59.366	48.002
Investments	56,884	185.264	102.479	344.627	181.268
Receivables	57.475	888	4.032	62.395	53.349
Interfund Receivables	3.254	33	1.346	4.633	10.768
Notes Receivable	58	55.977		56.035	54.839
Inventories	20.091			20.091	21.329
Prepaid Expenses	1.765		109	1.874	1.617
Fixed Assets		10.936	2.096.547	2.107.483	1.953.523
Total Assets	$ 348.909	$ 313.340	$ 2.445.662	$ 3.107.911	$ 2.728.100
Liabilities and Fund Equity					
Liabilities:					
Payables	$ 44.955	$ 10.620	$ 10.339	$ 65.914	$ 56.490
Interfund Payables	4.259	184	43	4.486	9.389
Notes Payable	35	527	32.735	33.297	60.243
Capital Leases Payable			12.092	12.092	10.856
Bonds Payable			235.421	235.421	124.891
Interest Payable	210		2.757	2.967	2.710
Deposits Payable	8.131	68.177	4.010	80.318	63.889
Accrued Vacation Leave	31.248			31.248	27.334
Deferred Revenue	13.299		12	13.311	11.973
Total Liabilities	102.137	79.508	297.409	479.054	367.775
Fund Equity:					
Investment In General Fixed Assets			1.920.927	1.920.927	1.747.428
Fund Balances:					
Reserved		233.832	25.929	259.761	216.304
Unreserved:					
Designated Subsequent Years' Expenditures	76.174		201.397	277.571	238.868
Undesignated	170.598			170.598	157.725
Total Fund Equity	246.772	233.832	2.148.253	2.628.857	2.360.325
Total Liabilities and Fund Equity	$ 348.909	$ 313.340	$ 2.445.662	$ 3.107.911	$ 2.728.100

COMBINING BALANCE SHEET
ALL UNIVERSITY CURRENT FUNDS

June 30, 1987

Exhibit K-2

(Expressed in Thousands)

	Unrestricted			Totals	
Assets	General	Proprietary	Restricted	June 30,1987	June 30,1986
Cash and Cash Equivalents	$ 50.257	$ 95.662	$ 62.116	$ 208,035	$ 191.707
Cash and Investments with Fiscal Agents		169	1.178	1,347	1.738
Investments	17.967	28.320	10.597	56,884	42.408
Receivables:					
Accounts Receivables:					
Accounts Receivable-Students (Net)	4.021	2.558	12	6,591	6,243
Accounts Receivable-Patients (Net)	17	22.192		22,209	19,804
Accounts Receivable-Other	2.059	6.359	5.562	13,980	14.383
Due from Other Governments	122	304	10.488	10,914	7,711
Investment Earnings	1.891	696	1.194	3,781	3,816
Interfund Receivables	2.002	948	304	3.254	6,144
Notes Receivable (Net)	25	33		58	4
Inventories	3.978	15.999	114	20,091	21.329
Prepaid Expenses	184	195	1.386	1,765	1,602
Total Assets	$ 82.523	$ 173.435	$ 92.951	$ 348,909	$ 316,889
Liabilities and Fund Equity					
Liabilities:					
Payables:					
Accounts Payable	$ 5.852	$ 6.339	$ 9.484	$ 21,675	$ 18.540
Accrued Liabilities	14.336	2.210	2,836	19.382	17.173
Due to Other Governments	20	127	3,751	3,898	2.732
Interfund Payables	1.199	2,061	999	4.259	8.782
Notes Payable		35		35	6
Interest Payable	19	191		210	260
Deposits Payable	6.282	1.847	2	8,131	7,080
Accrued Vacation Leave	31.246	2		31,248	27,334
Deferred Revenue	7.546	3.678	2.075	13,299	11,957
Total Liabilities	66.500	16.490	19.147	102,137	93,864
Fund Equity:					
Fund Balances:					
Unreserved:					
Designated for Subsequent Years' Expenditures	2.370		73.804	76.174	65.300
Undesignated	13.653	156.945		170,598	157.725
Total Fund Equity	16.023	156.945	73.804	246.772	223.025
Total Liabilities and Fund Equity	$ 82.523	$ 173.435	$ 92.951	$ 348,909	$ 316,889

COMBINING STATEMENT OF CHANGES IN FUND EQUITY
ALL UNIVERSITY CURRENT FUNDS

For the Fiscal Year Ended June 30, 1987

Exhibit K-3

(Expressed in Thousands)

	Unrestricted			Totals	
	General	Proprietary	Restricted	June 30, 1987	June 30, 1986
Revenues and Other Additions:					
Tuition and Fees	$ 140,663	$ 29,380	$ 1,042	$ 171,085	$ 162,620
Gifts, Grants and Contracts	49,387	2,174	254,435	305,996	274,396
Sales and Services	26,933	290,977	2,149	320,059	324,715
Investment Earnings	9,156	8,086	12,452	29,694	28,366
Other Revenues and Additions	5,828	3,772	8,833	18,433	22,737
Total Revenues and Other Additions	231,967	334,389	278,911	845,267	812,834
Expenditures and Other Deductions:					
Educational and General	1,051,078		263,258	1,314,336	1,225,249
Auxiliary Enterprise and Internal Service		294,660		294,660	303,484
Other Expenditures and Deductions			5,848	5,848	
Total Expenditures & Other Deductions	1,051,078	294,660	269,106	1,614,844	1,528,733
Other Financing Sources (Uses):					
Transfers In	897,968	5,974	20,096	924,038	829,688
Transfers Out	(80,443)	(32,540)	(18,219)	(131,202)	(88,776)
Total Other Financing Sources (Uses)	817,525	(26,566)	1,877	792,836	740,912
Net Increase(Decrease) In Fund Equity	(1,586)	13,163	11,682	23,259	25,013
Fund Equity -July 1- As Previously Reported	16,595	143,501	62,929	223,025	193,271
Restatements	1,014	281	(807)	488	4,741
Fund Equity - June 30	$ 16,023	$ 156,945	$ 73,804	$ 246,772	$ 223,025

COMBINING BALANCE SHEET
ALL UNIVERSITY FIDUCIARY FUNDS

June 30, 1987

(Expressed in Thousands)

Exhibit K-4

		Endowment		Totals	
Assets	Loan	And Similar	Agency	June 30, 1987	June 30, 1986
Cash and Cash Equivalents	$ 9,334	$ 2,895	$ 12,651	$ 24,880	$ 22,026
Cash with Fiscal Agents	74	35,073	215	35,362	26,794
Investments	680	119,580	65,004	185,264	133,475
Receivables:					
Accounts Receivable:					
Accounts Receivable-Students (Net)			3	3	1
Accounts Receivable - Other	4		183	187	132
Due from Other Governments	75		18	93	19
Investment Earnings	89	13	503	605	426
Interfund Receivables	25		8	33	389
Notes Receivable (Net)	55,454	192	331	55,977	54,835
Fixed Assets:					
Land		10,204	323	10,527	10,029
Buildings		341		341	341
Machinery and Equipment			31	31	26
Art, Literature, and Artifacts		37		37	37
Total Assets	$ 65,735	$ 168,335	$ 79,270	$ 313,340	$ 248,530
Liabilities and Fund Equity					
Liabilities:					
Payables:					
Accounts Payable	$ 1	$	$ 10,514	$ 10,515	$ 9,551
Accrued Liabilities	12		28	40	587
Due to Other Governments	64		1	65	26
Interfund Payables	56	105	23	184	174
Notes Payable			527	527	255
Deposits Payable			68,177	68,177	52,234
Total Liabilities	133	105	79,270	79,508	62,827
Fund Equity:					
Fund Balances:					
Reserved for Loans	65,602			65,602	64,639
Reserved for Endowments		168,230		168,230	121,064
Total Fund Equity	65,602	168,230		233,832	185,703
Total Liabilities and Fund Equity	$ 65,735	$ 168,335	$ 79,270	$ 313,340	$ 248,530

COMBINING STATEMENT OF CHANGES IN FUND EQUITY ALL UNIVERSITY FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 1987

Exhibit K-5

(Expressed in Thousands)

			Totals	
	Loan	Endowment And Similar	June 30, 1987	June 30, 1986
Revenues and Other Additions:				
Restricted Gifts, Grants, and Contracts	$ 1,276	$ 20,088	$ 21,364	$ 8,350
Investment Earnings	2,356	25,396	27,752	9,572
Other Revenues and Additions	1,355	13	1,368	1,596
Total Revenues and Other Additions	4,987	45,497	50,484	19,518
Expenditures and Other Deductions:				
Administrative and Collection Costs, Loan Cancellations, and Bad Debts	2,711		2,711	2,242
Other Expenditures and Deductions	1,522	68	1,590	132
Total Expenditures and Deductions	4,233	68	4,301	2,374
Other Financing Sources (Uses):				
Transfers In	414	1,770	2,184	11,685
Transfers Out	(109)	(34)	(143)	(10,178)
Total Other Financing Sources (Uses)	305	1,736	2,041	1,507
Net Increase (Decrease) In Fund Equity	1,059	47,165	48,224	18,651
Fund Equity -July 1- As Previously Reported	64,639	121,064	185,703	160,363
Restatements	(96)	1	(95)	6,689
Fund Equity - June 30	$ 65,602	$ 168,230	$ 233,832	$ 185,703

COMBINING BALANCE SHEET
ALL UNIVERSITY PLANT FUNDS

June 30, 1987
(Expressed in Thousands)

Exhibit K-6

	Unexpended	Debt Service	Investment In Plant	Totals June 30, 1987	Totals June 30, 1986
Assets					
Cash and Cash Equivalents	$ 206.674	$ 11.818	$	$ 218,492	$ 189.672
Cash with Fiscal Agents	5.438	17.219		22,657	19.470
Investments	98,073	4.406		102,479	5.385
Receivables:					
Accounts Receivable:					
Accounts Receivable - Students (Net)		68		68	53
Accounts Receivable - Other	1,367	16		1,383	
Due from Other Governments					159
Investment Earnings	2,364	217		2,581	602
Interfund Receivables	1,091	255		1,346	4.235
Prepaid Expenses		109		109	15
Fixed Assets:					
Land			30,153	30,153	28,915
Land Improvements			75,581	75.581	71.698
Buildings			1,095,917	1.095.917	983.796
Machinery and Equipment			463.619	463.619	412.951
Art, Literature, and Artifacts			293,865	293.865	278.653
Construction in Progress			137.412	137,412	167,077
Total Assets	$ 315,007	$ 34,108	$ 2.096.547	$ 2.445.662	$ 2.162.681
Liabilities and Fund Equity					
Liabilities:					
Payables:					
Accounts Payable	$ 9.746	$ 593	$	$ 10.339	$ 7,881
Interfund Payables		43		43	433
Notes Payable	2,147		30,588	32,735	59.982
Capital Leases Payable			12.092	12,092	10.856
Bonds Payable	102.447	34	132,940	235,421	124,891
Interest Payable		2,757		2.757	2,450
Deposits Payable - Contract Retainage	4.010			4,010	4.575
Deferred Revenue		12		12	16
Total Liabilities	118,350	3,439	175,620	297,409	211,084
Fund Equity:					
Investment in General Fixed Assets			1,920,927	1,920,927	1.747.428
Fund Balances:					
Reserved		25,929		25,929	30,601
Unreserved:					
Designated for Subsequent Years' Expenditures	196,657	4,740		201,397	173,568
Total Fund Equity	196,657	30,669	1,920,927	2,148,253	1,951,597
Total Liabilities and Fund Equity	$ 315,007	$ 34.108	$ 2,096,547	$ 2,445,662	$ 2.162,681

COMBINING STATEMENT OF CHANGES IN FUND EQUITY ALL UNIVERSITY PLANT FUNDS

For the Fiscal Year Ended June 30, 1987 Exhibit K-7

(Expressed in Thousands)

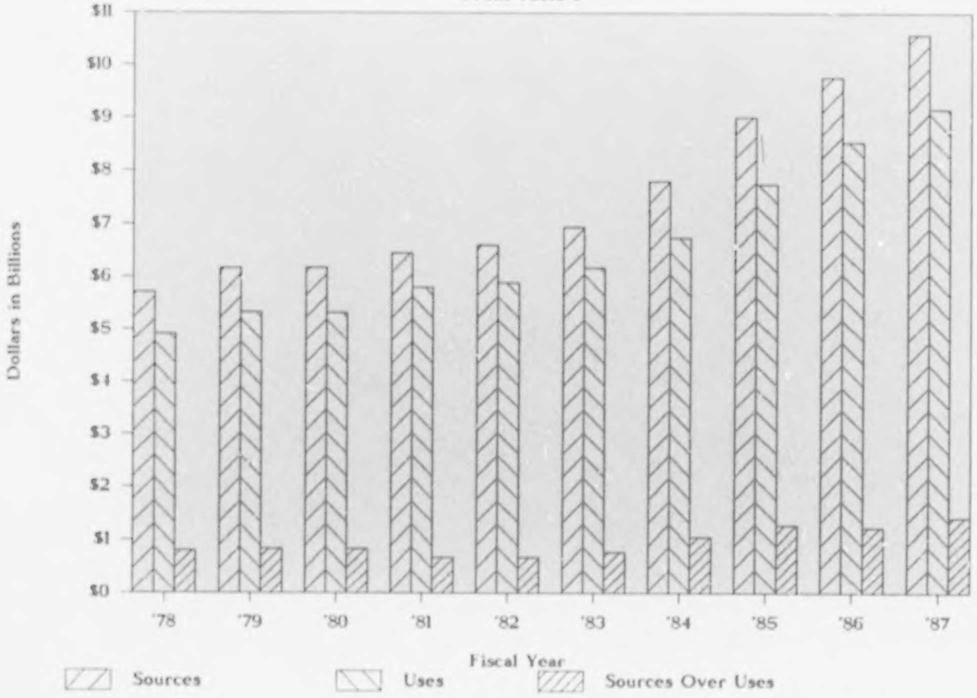
	Unexpended	Debt Service	Investment In Plant	Totals June 30, 1987	Totals June 30, 1986
Revenues and Other Additions:					
Tuition and Fees	$ 88	$ 2,357	$	$ 2,445	$ 2,771
Restricted Gifts, Contracts, & Grants	4,145	406		4,551	8,466
Proceeds from Notes and Bonds Issued	59	10,522		10,581	23,050
Investment Earnings	8,658	2,260		10,918	5,690
Expended for Plant Facilities			171,977	171,977	174,020
Retirement of Indebtedness			29,350	29,350	25,147
Other Revenues and Additions	2,708	3,241		5,949	6,608
Total Revenues and Other Additions	15,658	18,786	201,327	235,771	245,752
Expenditures and Other Deductions:					
Educational and General					
Expended for Plant Facilities	88,785			88,785	97,798
Retirement of Indebtedness	2,157	30,128		32,285	20,735
Interest on Indebtedness	40	11,498		11,538	9,550
Disposal of Plant Facilities	352		28,220	28,572	11,172
Notes and Bonds Issued					21,910
Capital Lease Additions			582	582	2,327
Other Expenditures and Deductions	5	859		864	1,188
Total Expenditures and Other Deductions	91,339	42,485	28,802	162,626	164,680
Other Financing Sources (Uses):					
Transfers In	223,521	25,492	110	249,123	125,966
Transfers Out	(117,857)	(4,111)		(121,968)	(31,023)
Total Other Financing Sources	105,664	21,381	110	127,155	94,943
Net Increase(Decrease) in Fund Equity	29,983	(2,318)	172,635	200,300	176,015
Fund Equity - July 1 - As Previously Reported	170,653	33,516	1,747,428	1,951,597	1,772,435
Restatement	(3,979)	(529)	864	(3,644)	3,147
Fund Equity - June 30	$ 196,657	$ 30,669	$ 1,920,927	$ 2,148,253	$ 1,951,597

STATISTICAL SECTION

The Statistical Section gives report users a better historical perspective and assists in determining current financial status and trends of the governmental unit. Certain economic and demographic data is presented to provide a broader understanding of state government than is possible from the financial statements, notes and supporting schedule presentation in the Financial Section.

Sources and Uses - All Budgeted Funds

(From Table I)



REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BUDGETARY BASIS) ALL BUDGETED FUNDS

For the Fiscal Years 1978-1987

(Dollars in Thousands)

	Fiscal Years				
	1987	1986	1985	1984	1983
Sources of Financial Resources:					
Beginning Balance July 1.......	$ 1,227,671	$ 1,272,771	$ 1,059,215	$ 763,721	$ 672,073
Revenues:					
Taxes........................	5,706,155	5,081,772	4,708,371	4,178,382	3,625,612
Non-Tax......................	477,612	477,005	450,585	412,050	323,539
Departmental.................	3,172,667	2,936,094	2,795,923	2,451,836	2,327,765
Total Revenues...............	9,356,434	8,494,871	7,954,879	7,042,268	6,276,916
Total Sources of Financial Resources......................	10,584,105	9,767,642	9,014,094	7,805,989	6,948,989
Uses of Financial Resources:					
Expenditures:					
General Government...........	173,914	161,816	152,851	131,664	137,835
Public Safety and Regulation.	351,196	316,044	294,415	257,017	214,318
Corrections..................	255,073	234,014	217,064	194,433	176,019
Education....................	4,311,125	4,038,614	3,569,882	3,123,267	2,912,898
Transportation...............	1,234,691	976,022	951,163	807,264	710,143
Health, Welfare, and Rehabilitation.........	2,291,581	2,101,513	1,914,853	1,800,460	1,633,184
Resource Development and Preservation...........	331,929	338,347	310,932	254,398	219,736
Agriculture..................	49,303	46,582	41,396	37,907	34,717
Debt Service.................	63,949	73,481	76,077	79,174	74,886
Capital Outlay...............	297,667	253,503	212,535	59,782	65,772
Total Uses of Financial Resources	9,165,133	8,539,936	7,741,168	6,745,366	6,179,508
Excess Sources Over (Under) Uses.	1,418,972	1,227,706	1,272,926	1,060,623	769,481
Adjustments..................	(182)	(35)	(155)	(1,408)	(5,760)
Fund Balance-June 30.........	$ 1,418,790	$ 1,227,671	$ 1,272,771	$ 1,059,215	$ 763,721

Note: "All budgeted funds" includes the general fund, departmental special revenue funds, and the highway fund.

Table I

Ended June 30				
1982	1981	1980	1979	1978
$ 666,547	$ 843,182	$ 834,729	$ 801,627	$ 778,186
3,419,973	3,099,383	2,903,961	2,618,406	2,332,399
331,562	312,850	333,892	249,521	232,319
2,179,136	2,193,825	2,104,015	2,490,251	2,369,872
5,930,671	5,606,058	5,341,868	5,358,178	4,934,590
6,597,218	6,449,240	6,176,597	6,159,805	5,712,776
123,424	215,678	180,383	152,640	132,230
197,950	60,205	59,438	36,517	32,607
160,085	146,535	124,963	105,892	95,203
2,926,976	2,658,488	2,299,024	1,824,966	1,650,920
642,351	944,802	1,033,615	1,871,965	1,899,072
1,552,631	1,425,408	1,296,727	1,126,076	989,564
167,686	156,389	154,429	39,932	36,238
33,507	32,484	29,932	24,394	21,759
61,858	60,230	53,915	49,728	48,807
30,861	104,141	84,379	93,779	4,749
5,897,329	5,804,360	5,316,805	5,325,889	4,911,149
699,889	644,880	859,792	833,916	801,627
(27,816)	21,667	(16,610)	813	
$ 672,073	$ 666,547	$ 843,182	$ 834,729	$ 801,627

REVENUES BY SOURCE (BUDGETARY BASIS)
GENERAL FUND

For the Fiscal Years Ended 1978-1987

(Dollars in Thousands)

	Fiscal Years							
	1987		1986		1985		1984	
	Amount	%	Amount	%	Amount	%	Amount	%
Tax Revenues:								
Income Tax	$ 3,129,407	39.4	$ 2,717,424	37.2	$ 2,513,419	37.4	$ 2,152,811	36.0
Sales and Use Tax	1,451,613	18.3	1,380,409	19.0	1,155,845	17.2	998,987	16.7
Franchise Tax	206,523	2.6	197,595	2.7	310,143	4.6	326,787	5.5
Beverage Tax	112,515	1.4	108,982	1.5	105,015	1.6	101,192	1.7
Insurance Tax	139,229	1.8	134,815	1.8	116,108	1.7	106,523	1.8
Inheritance Tax	73,540	0.9	82,021	1.2	71,203	1.0	66,412	1.1
Soft Drink Tax	24,828	0.3	25,713	0.4	24,607	0.4	23,668	0.4
Cigarette Tax	11,616	0.1	14,895	0.2	14,907	0.2	14,971	0.3
License Tax	21,996	0.3	24,606	0.3	17,695	0.3	15,878	0.3
Building and Loan Association Tax	4,443	0.1	2,524	0.0	1,362	0.0	1,160	0.0
Gift Taxes	3,937	0.1	4,682	0.1	5,438	0.1	5,174	0.1
Other Taxes	915	0.0	855	0.0	920	0.0	815	0.0
Total Tax Revenues	5,180,562	65.3	4,694,521	64.5	4,336,662	64.5	3,814,378	63.9
Non-Tax Revenues:								
Treasurer's Investment Income	139,318	1.6	151,251	2.1	131,037	1.9	96,261	1.6
Fees, Licenses and Fines	38,045	0.5	37,377	0.5	32,461	0.5	28,213	0.5
Other	34,152	0.4	27,721	0.4	26,874	0.4	18,465	0.3
Total Non-Tax Revenues	211,515	2.7	216,349	3.0	190,372	2.8	142,939	2.4
Total Tax and Non-Tax Revenues	5,392,077	67.9	4,910,870	67.5	4,527,034	67.3	3,957,317	66.3
Departmental and Institutional Receipts	2,543,291	32.1	2,367,803	32.5	2,200,038	32.7	2,013,269	33.7
Total General Fund Revenues	$ 7,935,368	100.0	$ 7,278,673	100.0	$ 6,727,072	100.0	$ 5,970,586	100.0

Table II

Ended June 30

1983		1982		1981		1980		1979		1978	
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
$ 1,856,624	35.4	$ 1,726,818	34.4	$ 1,583,321	33.4	$ 1,471,139	33.6	$ 1,248,931	36.1	$ 1,076,941	36.0
823,400	15.7	777,449	15.5	737,098	15.6	691,902	15.8	646,730	18.7	578,961	19.3
298,561	5.7	269,764	5.4	235,280	5.0	200,815	4.6	181,454	5.2	162,348	5.3
100,343	1.9	99,641	2.0	95,390	2.0	90,461	2.1	85,116	2.4	79,809	2.6
98,117	1.9	92,817	1.8	86,188	1.8	80,259	1.8	71,109	2.1	63,957	2.1
44,072	0.8	43,481	0.9	43,434	0.9	40,077	0.9	37,709	1.1	35,122	1.2
21,829	0.4	21,883	0.4	22,279	0.5	21,971	0.5	23,048	0.7	22,072	0.7
15,619	0.3	18,278	0.4	18,247	0.4	18,031	0.4	18,826	0.5	19,415	0.6
14,980	0.3	16,613	0.3	13,594	0.3	13,395	0.3	13,208	0.4	11,925	0.4
552	0.0	8,493	0.2	8,300	0.2	8,482	0.2	8,860	0.2	7,492	0.2
4,174	0.1	1,855	0.0	2,169	0.0	2,072	0.0	1,643	0.1	1,812	0.1
754	0.0	621	0.0	653	0.0	610	0.0	584	0.0	628	0.0
3,279,025	62.5	3,077,713	61.3	2,845,953	60.1	2,639,214	60.2	2,337,218	67.5	2,060,482	68.9
88,017	1.7	115,634	2.3	108,547	2.3	110,401	2.5	59,239	1.7	44,087	1.5
20,121	0.4	19,620	0.4	21,431	0.5	20,959	0.5	20,872	0.6	20,302	0.7
16,679	0.3	16,574	0.3	47,881	1.0	71,597	1.6	43,250	1.3	48,467	1.6
124,817	2.4	151,828	3.0	177,859	3.8	202,957	4.6	123,361	3.6	112,856	3.8
3,403,842	64.9	3,229,541	64.3	3,023,812	63.9	2,842,171	64.8	2,460,579	71.1	2,173,338	72.6
1,846,773	35.1	1,791,143	35.7	1,710,471	36.1	1,543,596	35.2	1,001,812	28.9	876,177	28.7
$ 5,250,615	100.0	$ 5,020,684	100.0	$ 4,734,283	100.0	$ 4,385,767	100.0	$3,462,391	100.0	$3,049,515	100.0

EXPENDITURES BY FUNCTION AND OBJECT (BUDGETARY BASIS) GENERAL FUND

For The Fiscal Years 1978-1987
(Dollars in Thousands)

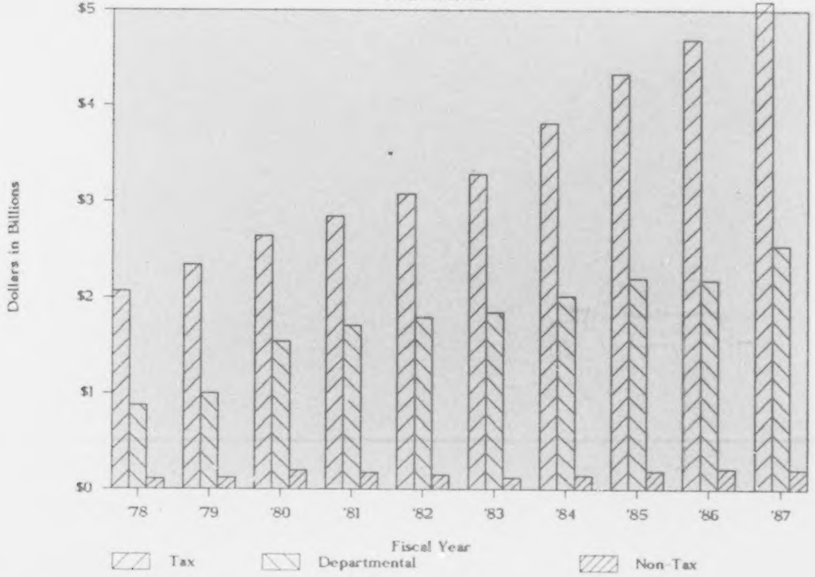
	Fiscal Years							
	1987		1986		1985		1984	
	Amount	%	Amount	%	Amount	%	Amount	%
Expenditures by Function:								
General Government	$ 161,614	2.0	$ 150,466	2.0	$ 142,980	2.2	$ 123,707	2.1
Public Safety and Regulation	246,198	3.1	213,344	2.9	203,036	3.1	176,281	3.1
Corrections	254,287	3.2	233,125	3.2	215,359	3.3	192,744	3.3
Education	4,251,538	53.9	3,984,516	54.3	3,535,244	53.5	3,087,934	53.3
Transportation	6,262	0.1	5,217	0.1	4,957	0.1	30,756	0.5
Health, Welfare, & Rehab	2,270,393	28.8	2,080,131	28.3	1,894,880	28.7	1,781,285	30.8
Resource Dev. & Preservation	291,083	3.7	299,297	4.1	274,097	4.1	219,091	3.8
Agriculture	49,303	0.6	46,582	0.6	41,396	0.6	37,907	0.7
Debt Service	63,949	0.8	73,481	1.0	76,077	1.2	79,174	1.4
Capital Improvements	297,667	3.8	253,503	3.5	212,535	3.2	59,782	1.0
Total Expenditures	$ 7,892,294	100.0	$ 7,339,662	100.0	$ 6,600,561	100.0	$ 5,788,661	100.0
Expenditures by Object:								
Personal Services	$ 1,954,395	24.8	$ 1,811,738	24.7	$ 1,627,621	24.7	$ 1,443,467	24.9
Supplies and Materials	137,449	1.7	132,042	1.8	124,872	1.9	117,190	2.0
Current Obligations	226,833	2.9	217,886	3.0	208,804	3.2	195,542	3.4
Fixed Charges	67,447	0.9	59,902	0.8	62,653	0.9	55,756	1.0
Capital Outlay	112,223	1.4	100,855	1.4	94,118	1.4	79,332	1.4
Grants, State Aid, Subsidies	4,663,840	59.1	4,345,594	59.2	3,888,172	58.9	3,482,426	60.1
Debt Service	88	0.0	73,578	1.0	76,802	1.2	80,564	1.4
Other	730,019	9.2	598,067	8.1	517,519	7.8	334,384	5.8
Total Expenditures	$ 7,892,294	100.0	$ 7,339,662	100.0	$ 6,600,561	100.0	$ 5,788,661	100.0

Table III

Ended June 30

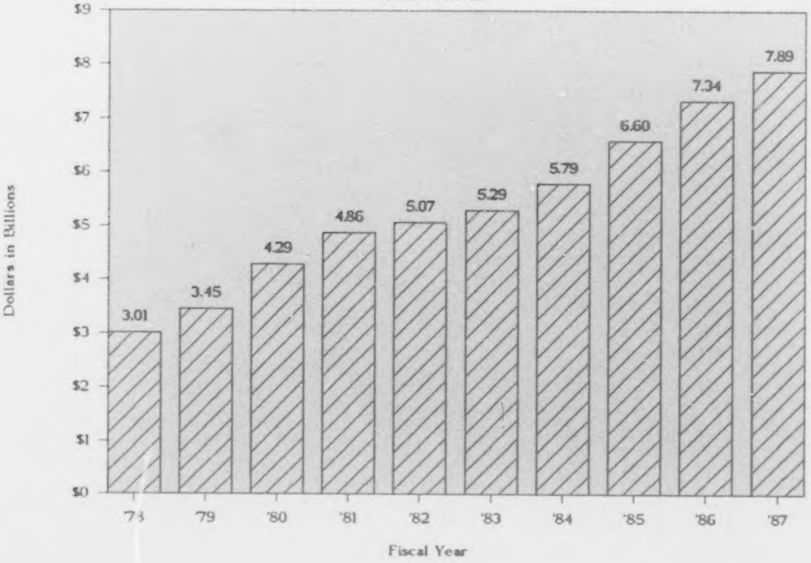
1983		1982		1981		1980		1979		1978	
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
$ 130,636	2.5	$ 120,001	2.4	$ 108,098	2.2	$ 87,367	2.0	$ 152,640	4.4	$ 132,230	4.4
153,179	2.9	147,069	2.9	140,365	2.9	130,815	3.1	36,517	1.1	32,607	1.1
174,221	3.3	158,065	3.1	146,535	3.0	124,963	2.9	105,892	3.1	95,203	3.2
2,840,133	53.7	2,808,875	55.4	2,634,316	54.2	2,276,059	53.1	1,824,966	52.8	1,650,920	54.8
4,738	0.1	5,057	0.1	5,066	0.1	5,057	0.1		0.0		0.0
1,615,481	30.5	1,536,124	30.3	1,425,408	29.3	1,296,727	30.2	1,126,075	32.6	989,564	32.8
194,997	3.7	167,056	3.3	207,981	4.3	199,033	4.6	39,932	1.2	36,238	1.2
34,717	0.7	33,507	0.7	32,484	0.7	29,932	0.7	24,394	0.7	21,759	0.7
74,886	1.4	61,858	1.2	60,231	1.2	53,915	1.3	49,728	1.4	48,807	1.6
65,772	1.2	30,861	0.6	104,141	2.1	84,379	2.0	93,779	2.7	4,749	0.2
$ 5,288,760	100.0	$ 5,068,473	100.0	$ 4,864,625	100.0	$ 4,288,247	100.0	$ 3,453,923	100.0	$ 3,012,077	100.0
$ 1,345,126	25.5	$ 1,283,428	25.3	$ 1,204,382	24.8	$ 1,044,482	24.3	$ 928,779	26.9	$ 828,338	27.5
107,198	2.0	103,552	2.0	98,354	2.0	107,864	2.5	81,335	2.4	73,592	2.4
179,463	3.4	161,015	3.2	150,846	3.1	122,266	2.8	113,702	3.3	101,263	3.4
69,432	1.3	58,901	1.2	47,846	1.0	38,806	0.9	29,443	0.9	22,572	0.7
56,877	1.1	53,364	1.1	42,344	0.9	41,839	1.0	132,895	3.8	47,309	1.6
3,185,662	60.2	3,078,154	60.7	3,044,676	62.6	2,593,041	60.5	2,066,802	59.8	1,835,946	61.0
75,157	1.4	62,025	1.2	60,344	1.2	54,263	1.3	49,728	1.4	48,807	1.6
269,845	5.1	268,034	5.3	215,833	4.4	285,686	6.7	51,239	1.5	54,250	1.8
$ 5,288,760	100.0	$ 5,068,473	100.0	$ 4,864,625	100.0	$ 4,288,247	100.0	$ 3,453,923	100.0	$ 3,012,077	100.0

GENERAL FUND
REVENUES AND EXPENDITURES



General Fund Revenues By Source

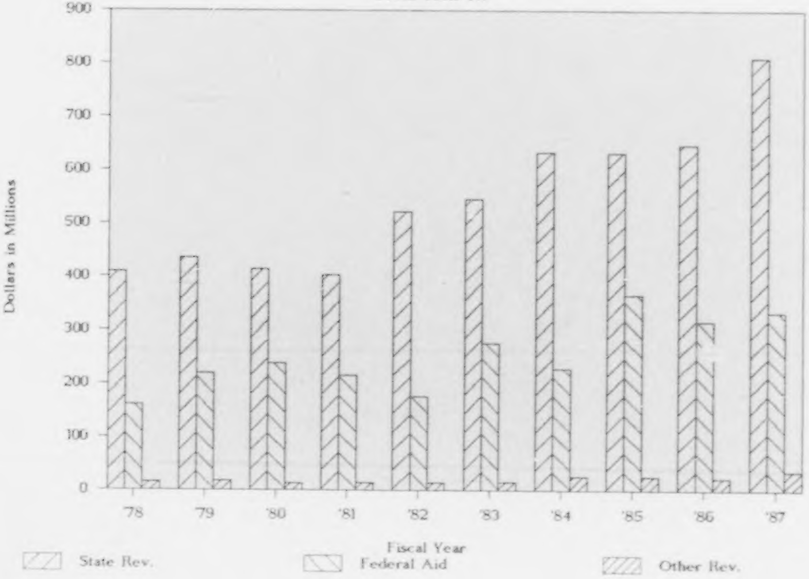
(From Table II)



General Fund Expenditures

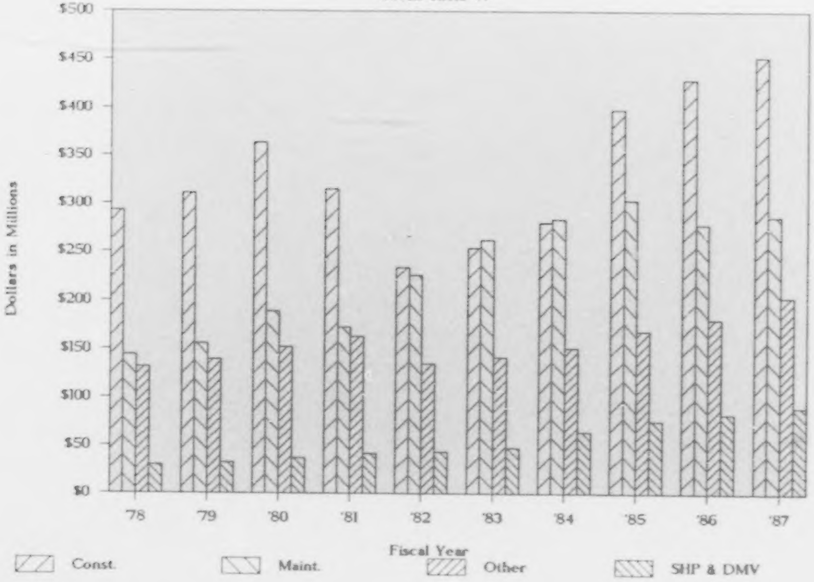
(From Table III)

HIGHWAY FUND
REVENUES AND EXPENDITURES



Highway Fund Revenues By Source

(From Table IV)



Highway Expenditures By Function

(From Table V)

REVENUES BY SOURCE (BUDGETARY BASIS)
HIGHWAY FUND

For the Fiscal Years 1978-1987
(Dollars in Thousands)

	Fiscal Years							
	1987		1986		1985		1984	
	Amount	%	Amount	%	Amount	%	Amount	%
State Revenues:								
Motor Vehicle Registration........	$ 140,335	11.9	$ 134,864	13.7	$ 132,414	12.9	$ 123,447	13.9
Gasoline Tax......................	526,823	44.6	387,251	39.3	371,649	36.3	364,004	41.0
Fees, Licenses, Fines and Other Revenues..................	144,225	12.2	125,792	12.7	127,799	12.5	145,664	16.4
Total State Revenues............	811,383	68.7	647,907	65.7	631,862	61.7	633,115	71.3
Federal Aid Participation:								
Highway Construction..............	326,496	27.7	308,255	31.2	357,525	34.9	230,877	26.0
Other.............................	7,274	0.6	7,888	0.8	7,950	0.8	(2,682)	(0.3)
Total Federal Aid Participation.	333,770	28.3	316,143	32.0	365,475	35.7	228,195	25.7
Cities' and Towns' Participation....	11,082	0.9	3,844	0.4	3,612	0.4	6,374	0.7
Property Owners' Participation......	3,586	0.3	2,290	0.2	2,293	0.2	2,091	0.2
Grants and General Participation....	6,380	0.5	4,650	0.5	5,085	0.5	8,768	1.0
State Aid...........................	6,145	0.5	5,100	0.5	4,840	0.5	4,840	0.6
Total Revenue....................	1,172,346	99.2	979,934	99.3	1,013,167	99.0	883,383	99.5
Departmental Receipts...............	8,861	0.8	6,643	0.7	6,303	0.6	4,579	0.5
Transfer from Equipment Fund........					4,600	0.4		
Total Funds Available...........	$ 1,181,207	100.0	$ 986,577	100.0	$ 1,024,070	100.0	$ 887,962	100.0

Table IV

Ended June 30

1983		1982		1981		1980		1979		1978	
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
$ 94,936	11.4	$ 85,828	12.1	$ 87,673	13.9	$ 83,771	12.6	$ 81,914	12.2	$ 77,910	13.3
346,576	41.4	339,394	47.7	250,077	39.5	261,174	39.3	287,362	42.8	277,853	47.5
103,797	12.4	96,772	13.6	64,690	10.2	68,713	10.3	66,114	9.8	53,727	9.2
545,309	65.2	521,994	73.4	402,440	63.6	413,658	62.2	435,390	64.8	409,490	70.0
264,392	31.6	163,111	22.9	203,070	32.1	225,044	33.8	215,484	32.1	159,672	27.3
11,149	1.3	11,906	1.7	12,451	2.0	12,530	1.9	3,297	0.5		
275,541	32.9	175,017	24.6	215,521	34.1	237,574	35.7	218,781	32.6	159,672	27.3
2,890	0.3	827	0.1	1,787	0.3	1,084	0.2	2,294	0.3	1,010	0.2
1,305	0.2	1,738	0.2	1,704	0.3	1,322	0.2	1,929	0.3	3,865	0.7
1,324	0.2	1,629	0.2	1,638	0.2	1,793	0.3	1,184	0.2	723	0.1
4,621	0.5	4,490	0.7	4,873	0.8	5,421	0.8	2,879	0.4	3,673	0.6
830,990	99.3	705,695	99.2	627,963	99.3	660,852	99.4	662,457	98.6	578,433	98.9
5,749	0.7	5,524	0.8	4,666	0.7	3,836	0.6	9,485	1.4	6,646	1.1
$ 836,739	100.0	$ 711,219	100.0	$ 632,629	100.0	$ 664,688	100.0	$ 671,942	100.0	$ 585,079	100.0

EXPENDITURES BY FUNCTION (BUDGETARY BASIS)
HIGHWAY FUND

For the Fiscal Years 1978-1987

(Dollars in Thousands)

	Fiscal Years							
	1987		1986		1985		1984	
	Amount	%	Amount	%	Amount	%	Amount	%
Expenditures by Function:								
Highway Patrol (Transfer to Department of Crime Control and Public Safety)	$ 66,580	6.5	$ 60,548	6.3	$ 57,555	6.1	$ 49,358	6.3
Driver Training (Transfer to Department of Public Education)	23,533	2.3	22,536	2.3	18,363	1.9	14,753	1.9
Department of Transportation:								
Assistant Secretary - Administration	16,287	1.6	16,332	1.7	17,633	1.9	14,820	1.9
Operations Administration	24,175	2.4	24,084	2.5	22,652	2.4	20,426	2.6
Division of Motor Vehicles	55,565	5.4	53,537	5.5	48,629	5.1	39,564	5.1
State Highway Maintenance	284,967	27.8	278,125	28.6	303,273	32.1	283,659	36.4
State Highway Construction	76,867	7.5	76,479	7.9	79,674	8.4	58,759	7.5
Capital Improvements	2,775	0.3	4,866	0.5	5,159	0.5	3,756	0.5
Federal Aid - Highway Construction	374,518	36.6	352,752	36.3	318,767	33.7	221,543	28.4
State Aid - Municipalities	54,703	5.3	47,168	4.9	45,443	4.8	43,244	5.6
Other	44,303	4.3	34,378	3.5	29,058	3.1	29,626	3.8
Total Expenditures	$ 1,024,273	100.0	$ 970,805	100.0	$ 946,206	100.0	$ 779,508	100.0

Table V

Ended June 30

1983		1982		1981		1980		1979		1978	
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
$ 47,782	6.8	$ 43,412	6.8	$ 41,655	6.0	$ 36,901	5.0	$ 31,882	5.0	$ 29,656	5.0
12,813	1.8	12,456	2.0	12,310	1.8	10,818	1.4	8,672	1.4	8,558	1.4
16,775	2.4	19,673	3.1	22,084	3.2	20,255	2.7	18,975	3.0	17,650	3.0
31,392	4.5	30,532	4.8	35,105	5.1	31,574	4.3	28,115	4.4	26,273	4.4
262,234	37.2	225,428	35.4	172,470	24.9	188,197	25.4	155,206	24.4	143,887	24.1
54,426	7.7	40,830	6.4	52,842	7.6	70,168	9.5	72,170	11.3	67,273	11.2
1,758	0.2	1,383	0.2	3,370	0.5	1,919	0.3	2,033	0.3	1,032	0.2
199,334	28.2	192,654	30.2	261,987	37.9	292,935	39.6	238,526	37.4	225,052	37.6
43,102	6.1	31,351	4.9	32,573	4.7	34,646	4.7	33,507	5.3	32,017	5.4
35,789	5.1	39,575	6.2	57,302	8.3	52,728	7.1	47,939	7.5	45,939	7.7
$ 705,405	100.0	$ 637,294	100.0	$ 691,698	100.0	$ 740,141	100.0	$ 637,025	100.0	$ 597,337	100.0

TOTAL NUMBER OF STATE GOVERNMENT PERMANENT POSITIONS FUNDED IN THE STATE BUDGET BY AGENCY

For the Fiscal Years 1978-1987

Table VI

	Fiscal Years Ended June 30									
State Agency	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
Community Colleges	9,945	9,934	8,866	8,912	8,716	8,438	8,216	7,363	8,102	6,867
Corrections	8,777	8,191	7,861	7,750	7,510	6,778	6,804	6,764	6,122	5,804
Higher Education	29,435	28,560	27,565	26,968	26,354	25,884	25,638	25,387	25,744	25,300
Human Resources	17,951	17,765	17,768	17,665	17,913	18,166	18,585	18,582	18,351	17,724
Judicial	4,004	3,852	3,670	3,522	3,508	3,502	3,438	3,396	3,191	3,075
Justice	930	889	825	822	819	829	828	773	748	699
Public Education *	98,333	94,973	90,123	88,366	88,241	88,978	89,886	86,726	85,892	81,968
Transportation and Highway Patrol	15,352	14,777	14,541	14,092	14,105	14,689	15,129	15,400	15,382	15,277
Other	12,390	12,742	12,371	11,923	11,974	12,369	12,417	12,107	11,654	11,372
Total	197,117	191,683	183,590	180,020	179,140	179,633	180,941	176,498	175,186	168,086

SOURCE: North Carolina Office of State Budget and Management

* This figure represents elementary and secondary school teachers as Public Education receives funding by State appropriation.

COMPUTATION OF LEGAL DEBT LIMIT

June 30, 1987 Table VII

(Dollars in Thousands)

General Obligation Bonds Authorized	$ 1.793.745	
Less: Bonds Issued	1.793.745	
Unissued Bonds		$ -0-
Allowable Increase in General Obligation Bonds by General Assembly for Lawful Purposes (See Calculation Below):		
1985-87 Biennium	$ 77.600	
1987-89 Biennium	39.333	
Total		116.933
Legal Debt Limit		$ 116.933

The limitations on State Debt and Bond Issues are contained in the State Constitution, Article 5, Section 3. This section restricts the General Assembly from contracting debts secured by a pledge of the faith and credit of the State, unless approved by a majority of the qualified voters of the State, except for:

1. To fund or refund a valid existing debt;
2. To supply an unforeseen deficiency in the revenue;
3. To borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50 percent of such taxes;
4. To suppress riots or insurrections, or to repel invasions;
5. To meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor;
6. For any other lawful purposes, to the extent of two-thirds of the amount by which the State's outstanding indebtedness shall have been reduced during the next preceeding biennium.

Below is a calculation of the allowable increase in General Obligation Bonds by the General Assembly for lawful purposes without voter approval:

	General Obligation Bonds						Allowable Increase	
Proceeding Biennium	Beginning Balance	Issues	Refunded	Repayment	Ending Balance	Decrease (Increase)	(2/3 of Debt Decrease) Amount	Biennium
1987-89	$ 762.000	$ 506.000	$ (460.000)	$ (32.500)	$ 775.500	$ (13.500)	$ N/A	1989-91
1985-87	821,000			(59,000)	762.000	59.000	39.333	1987-89
1983-85	937,400			(116.400)	821.000	116.400	77.600	1985-87
1981-83	763.200	280.000		(105.800)	937.400	(174.200)	N/A	1983-85
1979-81	674.300	187.250		(98.350)	763.200	(88.900)	N/A	1981-83

SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE

June 30, 1987
(Dollars in Thousands)

	Total General Obligation Bonds	Payable from One-Cent Per Gallon Road Tax			
		Total	Highway Bonds of 1965	Highway Bonds of 1977	Highway Bonds of 1986
Bonds Authorized:					
Chapter 46, 1965 Session	$ 295,000	$ 295,000	$ 295,000	$	$
Chapter 909, 1971 Session	119,500				
Chapter 1240, 1971 Session	45,995				
Chapter 657, 1973 Session	300,000				
Chapter 854, 1975 Session	43,250				
Chapter 643, 1977 Session	300,000	300,000		300,000	
Chapter 677, 1977 Session	230,000				
Chapter 142, 1986 Session	460,000	250,000			250.000
Total	$ 1.793.745	$ 845.000	$ 295,000	$ 300,000	$ 250.000
Bonds Refunded	460,000	250,000	7,000	243,000	
Bonds Retired	558,245	345,000	288,000	57,000	
Bonds Outstanding 6/30/87	$ 775,500	$ 250,000	$ -0-	$ -0-	$ 250.000
Bond Maturity As Follows:					
1986-87	$ 67,240	$ 23,250	$ -0-	$ -0-	$ 23.250
1987-88	68,230	24,020			24.020
1988-89	70,945	26,765			26.765
1989-90	71,415	27,330			27.330
1990-91	73,960	29,940			29.940
1991-92	75,045	31,640			31.640
1992-93	76,540	32,985			32.985
1993-94	68,465	25,090			25.090
1994-95	67,365	24,120			24.120
1995-96	45,650	4,860			4.860
1996-97	32,655				
1997-98	29,305				
1998-99	26,085				
1999-2000	2,500				

Table VIII

	Payable From General Fund Revenues					
Total	CI Bonds of 1971	Clean Water Bonds of 1971	Public School Bonds of 1973	Higher Educ. Bonds of 1975	Clean Water Bonds of 1977	Public Improve. Bonds of 1986
$	$	$	$	$	$	$
119,500		119,500				
45,995	45,995					
300,000			300,000			
43,250				43,250		
230,000					230,000	
$ 210,000						210,000
$ 948,745	$ 45,995	$ 119,500	$ 300,000	$ 43,250	$ 230,000	$ 210,000
210,000		38,000	167,000	5,000		
213,745	31,995	43,000	116,000	3,250	19,000	
$ 525,500	$ 14,000	$ 38,500	$ 17,000	$ 35,000	$ 211,000	$ 210,000
$ 44,090	$ 4,000	$ 4,500	$ 2,000	$ 4,000	$ 16,500	$ 13,090
44,210	4,000	4,500	2,000	4,000	16,500	13,210
44,180	4,000	4,500	2,000	4,000	16,500	13,180
44,085	2,000	4,500	2,000	4,000	18,500	13,085
44,020		4,500	1,500	3,500	19,500	15,020
43,405		3,500	1,500	3,500	20,000	14,905
43,555		3,500	1,000	2,000	21,000	16,055
43,375		3,500	1,000	2,000	21,000	15,875
43,245		3,500	1,000	2,000	19,000	17,745
40,790		2,000	1,000	2,000	15,000	20,790
32,655			1,000	2,000	12,000	17,655
29,305			1,000	2,000	9,000	17,305
26,085					4,000	22,085
2,500					2,500	

GENERAL OBLIGATION BONDS DEBT RATIOS

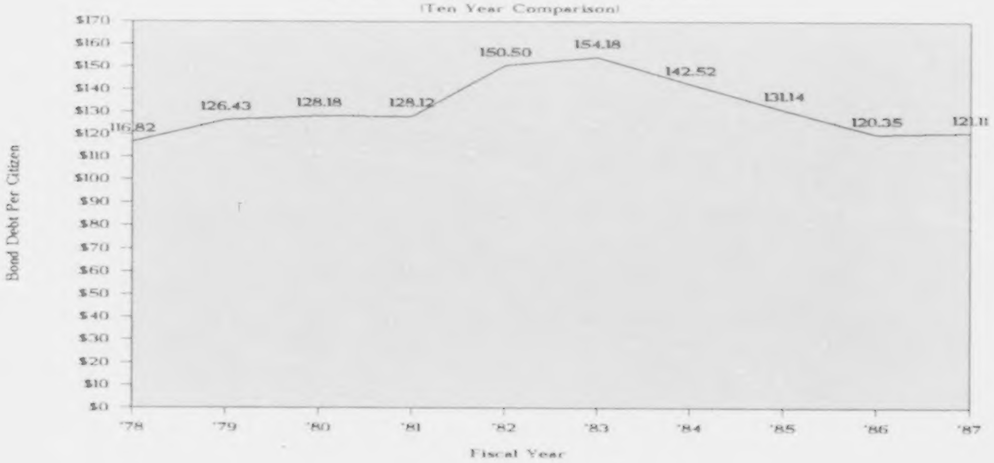
For the Fiscal Years 1978-1987 Table IX

(Dollars in Thousands Except Ratio and Per Capita Data)

Fiscal Year Ended June 30	Debt Per Capita			Annual Debt Serv. to General Expenditures		
	Population	General Obligation Bonds Outstanding	Amount	Debt Service (Prin. & Int.)	Total General Expenditures	Ratio
1987	6,403,426	$ 775,500	$ 121.11	$ 78,567	$ 9,156,272	.9%
1986	6,331,288	762,000	120.35	111,927	8,539,936	1.3%
1985	6,260,716	821,000	131.14	114,479	7,741,168	1.5%
1984	6,168,950	879,200	142.52	118,072	6,745,366	1.8%
1983	6,079,790	937,400	154.18	113,916	6,179,508	1.8%
1982	6,018,047	905,700	150.50	91,908	5,897,329	1.6%
1981	5,956,995	763,200	128.12	104,332	5,804,360	1.8%
1980	5,880,415	753,750	128.18	83,810	5,316,805	1.6%
1979	5,807,900	734,300	126.43	79,210	5,325,889	1.5%
1978	5,745,400	671,200	116.82	84,196	4,911,149	1.7%

Per Capita Bond Debt

(Ten Year Comparison)



REVENUE BOND COVERAGE

For the Fiscal Years 1983-1987
(Dollars in Thousands)

Table X

Fiscal Year Ended June 30	Gross Revenues(2)	Direct Operating Expenses(2)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage(3)
				Principal	Interest	Total	
			General Long-Term Obligation Account Group				
1987	$ 1.712	$ 243	$ 1.469	$ 572	$ 477	$ 1.049	1.40
1986	1.614	263	1,351	562	528	1.090	1.24
1985	1.689	233	1,456	502	591	1.093	1.33
1984	1.927	167	1,658	350	613	963	1.83
1983	969	0	969	0	254	254	3.81
			Enterprise Funds(1)				
1987	136.625	918	135.707	14,155	66.162	80.317	1.69
1986	114.295	990	113,305	11,710	66.973	78.683	1.44
1985	73.666	2.114	71.552	6.840	49.209	56.049	1.28
1984	62.876	391	62.485	3.715	32.417	36.132	1.73
1983	30.229	950	29.279	2.895	20.284	23.179	1.26
			Internal Service Funds				
1987	803	365	438	55	103	158	2.78
1986	722	281	441	55	106	161	2.74
1985	704	256	448	55	109	164	2.73
1984	636	223	413	50	112	162	2.55
1983	647	232	415	45	114	159	2.61
			Nonexpendable Trust Funds(1)				
1987	18.726	894	17.832	5,850	3,844	9.694	1.84
1986	22.195	1.111	21.084	6.850	4.341	11,191	1.88
1985	23.178	1.264	21.914	6.850	5.660	12.510	1.75
1984	23.286	1.295	21.991	6.850	5.952	12,802	1.72
1983	21.336	1.647	19.689	6.355	8.318	14.673	1.34
			University Funds				
1987	125,094	92.373	32.721	6.699	10,519	17.218	1.90
1986	86.211	63,242	22,969	4,023	6.769	10.792	2.12
1985	84.441	57.682	26.759	4.019	6,881	10.900	2.45
1984	75.174	53,351	21.823	3.438	7.044	10.482	2.08
1983	68.578	49.580	18.998	3.528	6.252	9.780	1.93

(1) Actual amounts paid differ from scheduled debt service requirements presented above.

(2) Represents actual fund receipts and disbursements securing the applicable bonds.

(3) Ideally, the coverage number would be 1.00 or higher.

ASSESSED VALUE OF REAL PROPERTY, TANGIBLE PERSONAL PROPERTY, AND PUBLIC SERVICE COMPANIES

For the Fiscal Years 1979-1987 Table XI

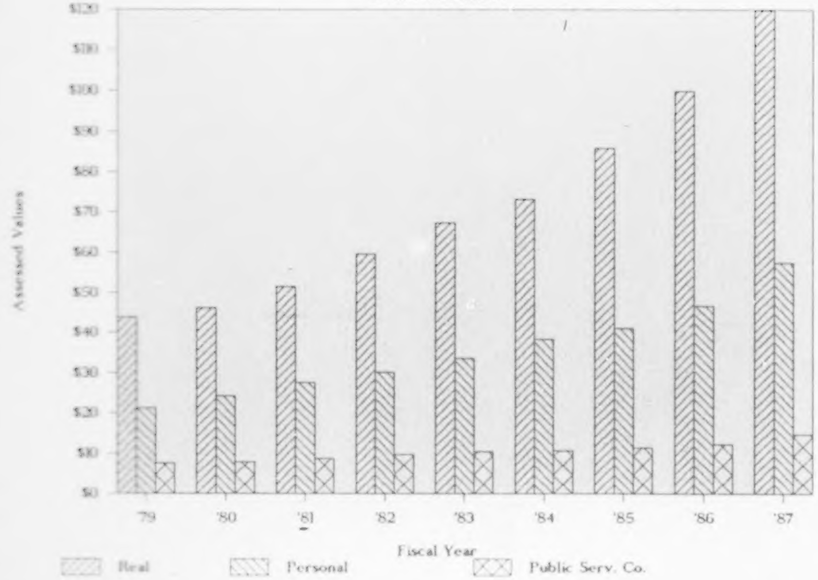
(Dollars in Whole Dollars)

	Assessed Value June 30			
Fiscal Year	Real Property	Personal Property	Public Service Companies	Total
1987	$ 119,820,416,998	$ 57,413,010,754	$ 14,692,714,720	$ 191,926,142,472
1986	99,850,538,664	46,693,841,533	12,365,634,320	158,910,014,517
1985	85,972,825,736	41,000,251,830	11,440,623,819	138,413,701,385
1984	73,206,272,661	38,317,923,513	10,733,729,219	122,257,925,393
1983	67,449,128,525	33,553,596,924	10,406,803,732	111,409,529,181
1982	59,678,753,905	30,096,636,217	9,709,847,057	99,485,237,179
1981	51,397,236,733	27,534,767,412	8,694,018,304	87,626,022,449
1980	46,048,133,822	24,191,210,411	7,869,912,535	78,109,256,768
1979	43,823,920,905	21,151,113,181	7,455,022,210	72,430,056,296

NOTE: The State does not levy an ad valorem tax on real property and tangible personal property. The only State-levied property tax is on intangible personal property. Counties are required by statute to assess property at 100% of appraised value.

Assessed Property Values

(Dollars in Billions)



SOURCE: Compiled by the Department of Revenue from Reports Submitted by Counties and Municipalities (Data for 1978 is not available.)

SCHEDULE OF BANK AND SAVINGS AND LOANS DEPOSITS

For the Years 1977-1987

(Dollars in Thousands)

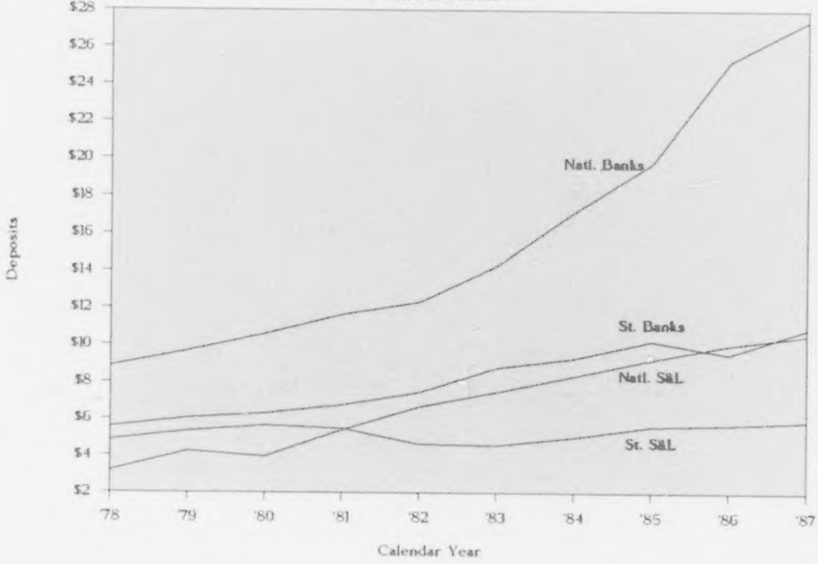
Table XII

Banks				Savings and Loans			
Fiscal Year Ended June 30	State	National	Total Deposits	Calendar* Year	State	Federal	Total Deposits
1987	$ 10,884,948	$ 27,445,346	$ 38,330,294	1986	$ 5,882,096	$ 10,566,483	$ 16,448,579
1986	9,513,909	25,259,970	34,773,879	1985	5,694,939	10,010,104	15,705,043
1985	10,247,786	19,781,193	30,028,979	1984	5,601,745	9,231,293	14,833,038
1984	9,282,068	17,181,045	26,463,113	1983	5,008,477	8,330,292	13,338,769
1983	8,769,560	14,291,821	23,061,381	1982	4,556,810	7,482,772	12,039,582
1982	7,436,015	12,321,599	19,757,614	1981	4,645,468	6,640,450	11,285,918
1981	6,759,519	11,661,310	18,420,829	1980	5,466,766	5,370,010	10,836,776
1980	6,295,124	10,582,361	16,877,485	1979	5,632,912	3,951,313	9,584,225
1979	6,028,511	9,664,633	15,693,144	1978	5,304,580	4,225,235	9,529,815
1978	5,557,101	8,861,739	14,418,840	1977	4,836,935	3,192,676	8,029,611

*The 1987 savings and loans deposits were not available and are reported on a calendar year basis as of December 31.

Bank and Savings and Loan Deposits

(Dollars in Billions)



SOURCE: North Carolina Department of Commerce

CASH RECEIPTS FROM FARMING BY COMMODITIES

For the Calendar Years 1977-1986

(Dollars in Millions)

	Livestock and Related Products					
Year	Poultry and Eggs	Dairy Products	Hogs	Cattle	Other Livestock and Products	Total Livestock and Products
1986	$ 1,297.7	$ 230.7	$ 437.9	$ 164.3	$ 43.6	$ 2,174.2
1985	1,109.4	246.9	376.7	154.4	46.9	1,934.3
1984	1,172.7	238.8	380.9	104.5	43.7	1,940.6
1983	907.9	245.1	378.1	106.7	41.3	1,679.1
1982	829.9	240.5	369.4	141.4	39.4	1,620.6
1981	863.3	239.6	357.6	125.7	18.0	1,604.2
1980	783.8	220.7	316.8	112.7	9.9	1,443.9
1979	756.1	192.4	300.3	132.3	9.2	1,390.3
1978	696.1	171.9	291.8	110.2	8.6	1,278.6
1977	610.3	166.8	206.2	62.9	6.6	1,052.8

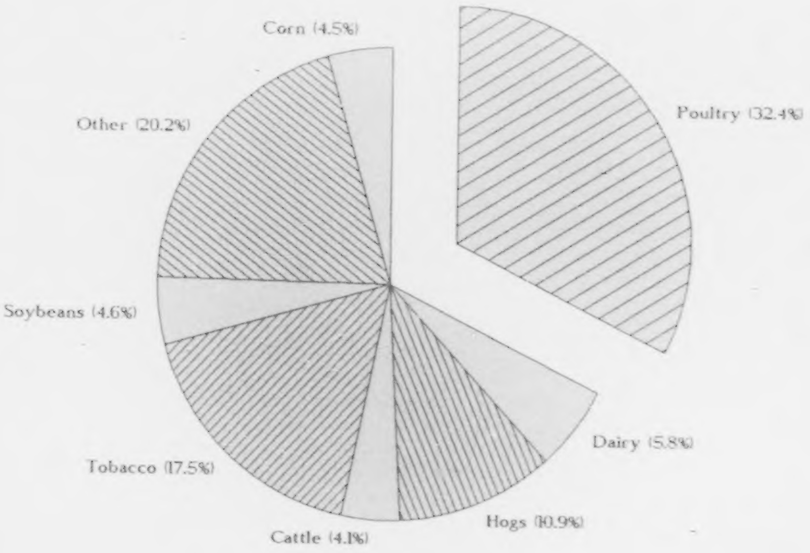
SOURCE: North Carolina Crop and Livestock Reporting Service
(Data for 1987 is not available.)

Table XIII

Crops					
Tobacco	Soybeans	Corn	Other Crops	Total Crops	Total Livestock and Crops
$ 698.8	$ 184.4	$ 180.2	$ 764.1	$ 1,827.5	$ 4,001.7
936.2	200.1	279.5	747.9	2,163.7	4,098.0
1,054.2	272.8	318.2	858.7	2,503.9	4,444.5
1,019.8	257.8	187.3	666.9	2,131.8	3,810.9
1,233.4	299.6	256.3	692.8	2,482.1	4,102.7
1,296.0	274.9	253.3	731.5	2,555.7	4,159.9
1,112.9	242.1	244.4	549.3	2,148.7	3,592.6
894.7	301.7	276.3	538.2	2,010.9	3,401.2
1,109.5	247.7	159.0	490.1	2,006.3	3,284.9
866.0	140.3	160.4	403.8	1,570.5	2,623.3

Cash Receipts From Farming

Calendar Year Ended December 31, 1986



MAJOR PRIVATE EMPLOYERS

March 31,1987

Table XIV

The State's 25 major private employers (ranked by number of employees) as of the first quarter of 1987 are as follows:

Rank	Employer	Number Employed
1	Burlington Industries, Inc.	19,132
2	International Business Machines Corp.	16,664
3	Fieldcrest Mills, Inc.	15,105
4	Duke University	14,461
5	Duke Power Company, Inc.	13,433
6	R.J. Reynolds Tobacco Company	12,071
7	Roses Stores, Inc.	10,942
8	AT&T Technologies, Inc.	10,015
9	Food Lion, Inc.	9,379
10	Piedmont Aviation, Inc.	8,949
11	Carolina Power & Light Company.	8,682
12	J.P. Stevens & Company, Inc.	8,487
13	K-Mart Corporation	8,121
14	Sears Roebuck Company	8,026
15	Cone Mills Corporation	7,950
16	Southern Bell Telephone & Telegraph Co , Inc.	7,509
17	Collins & Aikman Corp.	7,500
18	First Union National Bank of N.C.	7,167
19	Northern Telecom, Inc.	7,031
20	Wachovia Bank & Trust Company, N.A.	6,365
21	General Electric Company, Inc.	6,325
22	Broyhill Furniture Industries	6,306
23	E.I. du Pont de Nemcurs & Company	6,013
24	Harris Teeter Supermarkets, Inc.	5,642
25	Winn-Dixie Charlotte, Inc.	5,143

Source: The Employment Security Commission of North Carolina

TEN LARGEST NON-AGRICULTURAL INDUSTRIES

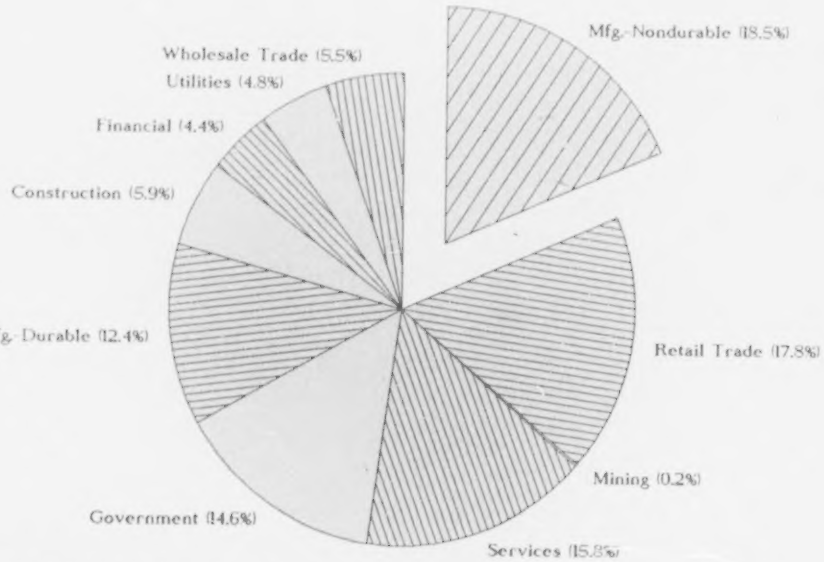
For the Years 1980-1986

Table XV

	1986	1985	1984	1983	1982	1981	1980
Manufacturing - Nondurabie Goods	499,222	485,800	501,000	493,800	488,900	510,000	515,900
Retail Trade	478,653	438,800	417,200	386,200	360,200	354,100	349,100
Services	425,613	427,600	399,300	370,400	357,900	353,000	341,300
Government	394,588	422,800	413,700	407,100	400,300	403,700	409,900
Manufacturing - Durable Goods	335,309	341,700	334,600	302,300	293,300	310,700	304,100
Contract Construction	159,702	149,200	132,600	112,400	106,800	115,600	118,700
Wholesale Trade	148,592	137,500	131,800	121,800	122,500	124,700	123,800
Transportation, Communications and Public Utilities	130,335	128,800	126,600	120,500	114,700	116,800	116,500
Finance, Insurance, Real Estate	119,945	108,600	103,800	100,400	97,800	98,100	95,500
Mining	4,474	4,800	4,600	4,300	4,600	4,900	5,200
All Non-Agricultural Employment	2,696,433	2,645,600	2,565,200	2,419,200	2,347,000	2,391,600	2,380,000
Manufacturing	834,531	827,400	835,600	796,100	782,200	820,700	820,000
Non-Manufacturing	1,861,902	1,818,200	1,729,600	1,623,100	1,564,800	1,570,900	1,560,000

Ten Largest Non-Agricultural Industries

1986



SOURCE: North Carolina Employment Security Commission
(Data for 1978, 1979, and 1987 is not available.)

SCHEDULE OF DEMOGRAPHIC DATA

For the Years 1950, 1960, 1970, 1980-1987
(Dollars in Whole Dollars)

	Population				Per Capita Income	
Year	United States	% Increase From Prior Period	North Carolina	% Increase From Prior Period	United States	North Carolina
1987	242,742,000	0.92	6,403,426	1.14	$ 15,350	$ 13,829
1986	240,523,000	0.97	6,331,288	1.13	14,641	12,438
1985	238,207,000	0.95	6,260,716	1.49	13,907	11,685
1984	235,961,000	0.95	6,168,950	1.47	13,114	11,001
1983	233,736,000	0.01	6,079,790	1.03	12,098	9,986
1982	231,405,000	1.04	6,018,047	1.02	11,481	9,282
1981	229,033,000	1.14	5,956,995	1.30	10,949	8,879
1980	226,451,000	11.09	5,880,415	15.66	9,919	7,998
1970	203,849,000	13.26	5,084,411	11.59	4,051	3,236
1960	179,979,000	18.51	4,556,155	12.17	2,201	1,577
1950	151,868,000		4,061,929		1,496	1,037

SOURCES:

U.S. Dept. of Commerce,
Bureau of the Census

Survey of Current Business,
U.S. Dept. of Commerce, Bureau
of Economic Analysis

Labor Force Data:
N.C. Employment Security
Commission
Office of State Budget and
Management

Public School Enrollment:
N.C. Department of Instruction

Motor Vehicle Registrations:
N.C. Division of Motor Vehicles

Residential Housing Starts:
N. C. Department of Labor
(1987 data represents housing
starts through June 30

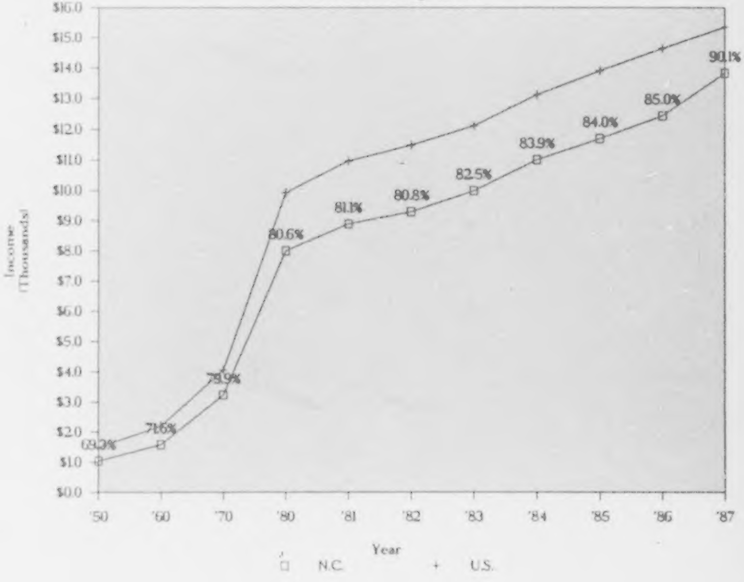
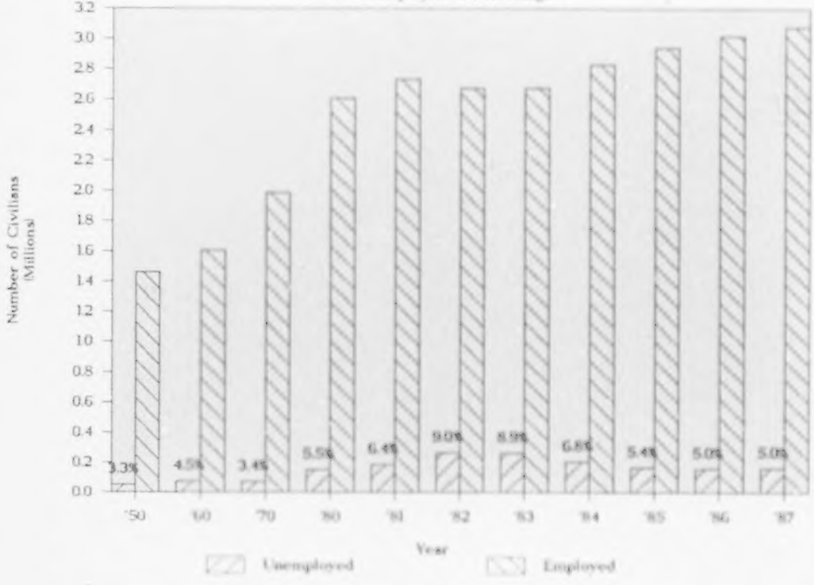

Per Capita Income
(With N.C. Percentage of U.S.)

Table XVI

Labor Force Data				Other Data		
N.C. Civilian Labor Force						
Total	Employed	Unemployed	Unemployed Percentage Rate	Public School Enrollment	Motor Vehicles Registered	Residential Housing Starts Single/Multiple
3,239,633	3,078,608	161,025	4.97	1,073,524	6,060,939	16,497
3,175,000	3,017,000	158,000	4.98	1,075,289	5,853,085	34,762
3,106,000	2,939,000	167,000	5.38	1,123,425	5,845,623	35,045
3,031,000	2,826,000	205,000	6.76	1,127,874	5,383,012	29,071
2,935,000	2,674,000	261,000	8.89	1,135,157	5,160,488	23,701
2,940,000	2,675,000	265,000	9.01	1,148,868	4,948,763	12,981
2,917,000	2,730,000	187,000	6.41	1,170,894	4,655,675	10,760
2,759,197	2,607,925	151,272	5.48	1,191,342	5,094,814	6,730
2,054,838	1,984,402	70,436	3.43	1,217,024	3,218,292	(Data
1,680,442	1,605,478	74,964	4.46	1,105,412	1,907,988	not
1,512,924	1,463,352	49,572	3.28	893,745	1,171,228	available)

Civilian Labor Force Comparisons

(With Unemployment Percentage)



SCHEDULE OF MISCELLANEOUS STATISTICS

June 30, 1987

Table XVII

Adoption of State Constitution	1776, 1868, 1971
Form of Government	Legislative, Executive, Judicial
Land Area [Square Miles]	50,000 (representing 31,999,760 acres)
Miles of Highway	76,000
State Police Protection	
Number of Stations	58
Number of State Police	1,207
Higher Education	
Community Colleges	
Number of Campuses	58
Number of Students (Average Annual FTE)	130,346
Number of Curriculum Instructors (Budgeted)	6,481
Universities	
Number of Campuses	16
Number of Regular Term Students (FTE)	111,333
Number of Regular Term Teaching Positions (FTE)	7,998
Recreation	
Number of State Parks	28
Area of State Parks (Acres)	220,357
Area of State Forest (Acres)	35,355

SOURCE:	
Land Area:	Department of Natural Resources and Community Development
Miles of Highways:	Department of Transportation
State Police Protection:	Department of Crime Control and Public Safety
Higher Education-Community Colleges:	Department of Community Colleges and Office of State Budget and Management
Recreation:	Department of Natural Resources and Community Development

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A Comprehensive Annual Financial Report for the year ended June 30, 1988

NORTH CAROLINA

S5897-1-W-

Cover Photo: Chimney Rock is a unique rock formation in Western North Carolina. Access to the top of Chimney Rock is by elevator which rises some 26 stories through a shaft blasted in sheer granite. The pinnacle offers a panoramic 75-mile view of Hickory Nut Gorge and Lake Lure.

Photograph is courtesy of the North Carolina Travel and Tourism Division.

Additional copies of this document may be obtained from the Office of the State Controller, 200 W. Jones Street, Raleigh, North Carolina 27603. As required by G.S. 143-170-1, disclosure of printing costs are as follows: 800 copies at $8.69 per copy.

State of North Carolina

A COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 1988

James G. Martin
Governor

Fred W. Talton, CPA
State Controller

MAY 20 1775
APRIL 12 1776

Prepared By: Office of the State Controller
Division of Financial Systems and Accounting Control
Financial Reporting Unit

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JAMES G. MARTIN
Governor

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State of North Carolina
Office of the State Controller

The Honorable James G. Martin
Governor of the State of North Carolina

It is our pleasure to furnish you with the 1988 Comprehensive Annual Financial Report (CAFR) of the State of North Carolina in compliance with G.S. 143B-426.39. This report has been prepared by the Office of the State Controller. Included within this report are the financial statements of the State of North Carolina and the necessary disclosures to fairly present the State's financial position and results of operations in all material respects. Statistical and demographic information are also included to provide a better understanding of the State's financial affairs. This letter summarizes the report and will assist you in understanding the contents of the CAFR.

Reporting Entity and Its Services

The State of North Carolina entity as reported in the CAFR includes all fund types, account groups, departments and agencies of the State, as well as universities and boards, commissions, and authorities over which the State's executive, legislative and judicial branches exercise oversight responsibility. This is in conformity with accounting and reporting standards of the Governmental Accounting Standards Board (GASB) in its GASB Codification Section 2100. Oversight responsibility is defined to include: selection of governing authority; designation of management; financial interdependency; ability to significantly influence operations; and accountability for fiscal matters.

The State provides a broad range of services including education, health and social services, transportation, law enforcement, judicial, public safety, community and economic development, and general administrative services. The costs of these services are reflected in detail and in summary in this report.

Financial Statement Presentation

The accompanying financial statements of the State of North Carolina have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of the University Funds have been prepared in conformity with generally accepted accounting principles for colleges and universities as prescribed by the National Association of College and University Business Officers and the American Institute of Certified Public Accountants. Certain amounts presented for the preceding year have been reclassified for comparative purposes.

This report is presented in three main sections: Introductory, Financial and Statistical. The Introductory Section includes a brief explanation of the Fund Accounting concept used by the State, discussion of operating results by fund type, and a State entity organization chart. The Financial Section includes the report of the State Auditor, combined statements, notes to

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financial statements, required supplementary information, and more detailed combining and individual statements and schedules. The Statistical Section includes selected financial and general information presented on a multi-year comparative basis.

In respect to the Financial Section, statements presented are further divided into two parts which are distinguished according to the reporting level of data.

General Purpose Financial Statements: The combined data presented in this section is required for fair presentation and the financial statements are in a form necessary to display a summary (all-inclusive) overview of the financial position of all funds and account groups; and of the operating results of all funds - by type. The combined formats of these statements include columns of aggregate data which have been summarized from the more detailed combining and individual statements. The notes provided in the Financial Section of this report are considered an integral and essential part of adequate disclosure and fair presentation of this financial report. The notes include a Summary of Significant Accounting Policies for the State and other necessary disclosure of pertinent matters relating to the financial position of the State. The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this document.

Combining, Individual Fund and Account Group Statements and Schedules: Combining financial statements are required for this reporting level in each instance where the State has multiple funds of a given fund type. Individual fund statements and schedules may be presented for certain individual funds and account groups where the State has only one fund of a specific type in order to provide detailed disclosure not included at the reporting level of the combining statements.

Accounting System and Budgetary Control

The financial activities of the State are organized on a basis of individual funds and account groups, each of which is a separate accounting entity segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. The budgetary basis of accounting for the State is the cash basis, except in certain Proprietary Funds which are maintained on the accrual basis. Necessary accruals and adjusting entries are made at year-end to convert all funds to the appropriate basis of accounting in accordance with generally accepted accounting principles.

The State's financial statements for Governmental Funds (General, Special Revenue, Debt Service and Capital Projects), Expendable Trust Funds and Agency Funds have been prepared on the modified accrual basis of accounting in conformity with generally accepted accounting principles. Revenues on this basis are recognized when measurable and available to finance current expenditures; expenditures are recognized when the related liability is incurred.

Proprietary Funds (Enterprise and Internal Service), Nonexpendable Trust Funds, Pension Trust Funds and University Funds are accounted for on the accrual basis. Revenues of these funds on the accrual basis are recognized when earned; expenses are recognized when incurred. A summary of the State's significant accounting policies and other necessary disclosures are included in the Notes to the Financial Statements.

The State's system of internal controls over the accounting system have been designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the State's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is exercised at the departmental level by legislative authorization of expenditures appearing in the State Appropriations Bill. This "Certified Budget" is the legal expenditure authority; however, executive changes to the legal budget may be authorized by the Office of State Budget and Management which results in the "Final Budget" presented in the financial statements.

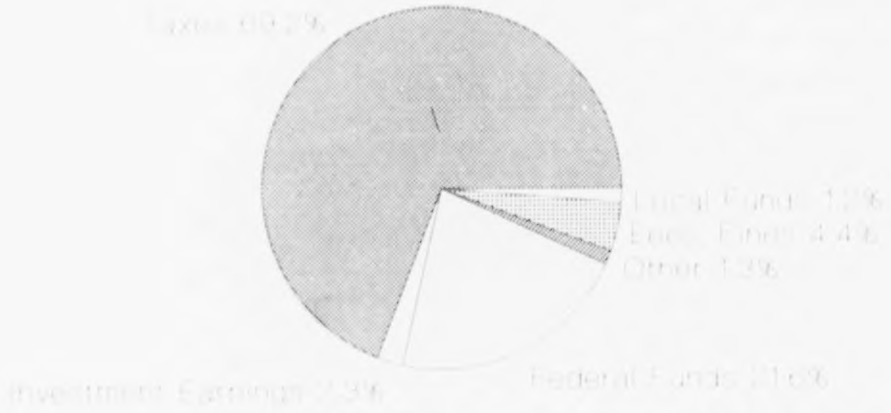
General Government Functions

General governmental functions are accounted for in four governmental funds - the General, Special Revenue, Debt Service and Capital Projects Funds. Revenues funding general governmental functions totaled $9.2 billion in 1988, an increase of 9.7 percent over 1987. Taxes represented 69.2 percent of general revenues, compared to 68.8 percent last year. Income tax collections increased by $319 million in 1988, a 10 percent increase over 1987.

The amount of revenues from the various sources for the past two years and the current year's change from the prior year are shown below (expressed in millions).

	1987-88		1986-87		Increase Over 1986-87	
Financial Source	Amount	Percent	Amount	Percent	Amount	Percent
Taxes	$6,382	69.2%	$5,783	68.8%	$599	10.4%
Federal Funds	1,995	21.6%	1,853	22.0%	142	7.7%
Local Funds	113	1.2%	110	1.3%	3	2.7%
Investment Earnings	213	2.3%	173	2.1%	40	23.1%
Fees, Licenses and Fines	405	4.4%	369	4.4%	36	9.8%
Other	120	1.3%	121	1.4%	(1)	(0.8%)
Total Revenues	9,228	100.0%	8,409	100.0%	819	9.7%
Operating Transfers In	677		506		171	
Total Financial Sources	$9,905		$8,915		$990	

GENERAL GOVERNMENT REVENUES
For the Fiscal Year Ended June 30, 1988

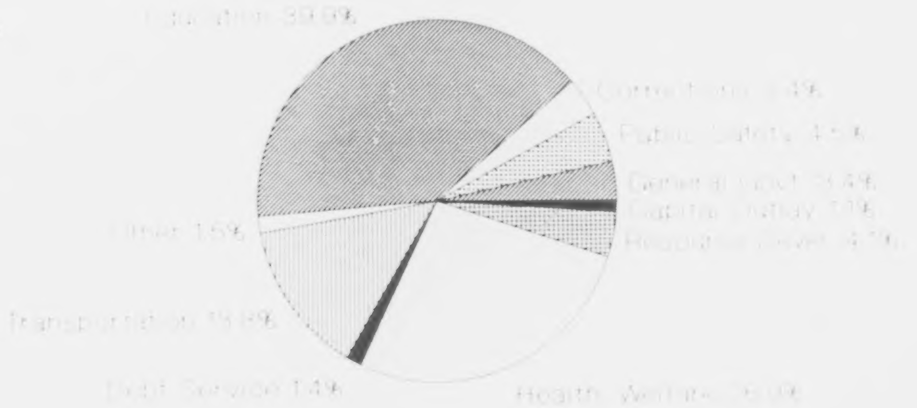


Additional information, in greater detail and for the past ten years, may be examined in the Statistical Section.

Expenditures for general governmental purposes totaled $8.1 billion in 1988, an 11.9 percent increase over 1987. Expenditures for the past two years by function and the current year's change from the prior year are shown below (expressed in millions).

Function	1987-88		1986-87		Increase Over 1986-87	
	Amount	Percent	Amount	Percent	Amount	Percent
General Government	$275	3.4%	$221	3.1%	$54	24.4%
Public Safety and Regulation	360	4.5%	323	4.5%	37	11.5%
Corrections	277	3.4%	253	3.5%	24	9.5%
Public Education and Community Colleges	3,214	39.9%	2,890	40.2%	324	11.2%
Transportation	1,112	13.8%	950	13.2%	162	17.1%
Health, Welfare and Rehabilitation	2,169	26.9%	1,993	27.7%	176	8.8%
Resource Development and Preservation	328	4.1%	305	4.2%	23	7.5%
Agriculture	49	0.6%	46	0.6%	3	6.5%
Claims and Benefits	66	0.9%	65	0.9%	1	1.5%
Capital Outlay	87	1.1%	51	0.7%	36	70.6%
Intergovernmental	3	-	2	-	1	50.0%
Debt Service	113	1.4%	97	1.4%	16	16.5%
Total Expenditures	8,053	100.0%	7,196	100.0%	857	11.9%
Operating Transfers Out To Universities and Other Funds	1,771		1,482		289	
Total Financial Uses	$9,824		$8,678		$1,146	

GENERAL GOVERNMENT EXPENDITURES
For the Fiscal Year Ended June 30, 1988



Debt Administration

The State continues to receive the highest bond rating ("AAA") issued by Moody's Investors Service and Standard and Poor's Corporation. Each year the high rating saves North Carolina millions of dollars in interest payments.

Cash Management

The North Carolina General Assembly recognizes the importance of good cash management practices and has enacted legislation which promotes a "Statewide Cash Management Policy" to minimize idle and non-productive cash balances. All cash deposited with the State Treasurer by State entities is managed in pooled investment accounts to maximize interest earnings. During fiscal year 1988, uncommitted State funds were invested in short-term collateralized deposits with a composite average yield of 9.051%.

Proprietary and University Funds

Operating revenues and expenses of the Enterprise Funds were $290.7 million and $303.6 million, respectively, for 1988 as compared to 1987 amounts of $267.5 million and $284.7 million. The overall increase in fund equity for the fiscal year ended June 30, 1988 for Enterprise Funds amounted to $52.6 million.

Internal Service Fund activity for 1988 remained consistent with prior year operations. Operating revenues and expenses for these cost-reimbursement agencies were $568.4 million and $572.6 million, respectively, as compared to 1987 amounts of $443.8 million and $505.5 million, and fund equity increased by $57.1 million.

Total fund equities for the University Funds at June 30, 1988 were $2.86 billion, an increase of $232 million over 1987. University revenues increased by 6.1 percent to $1.200 billion in 1988 while expenditures increased 9 percent to $1.943 billion. The net increase of General Fund and other appropriations transferred into the University funds rose 6.4 percent to $981 million.

Pension Funds

The State administers the following six retirement trust funds: Teachers' and State Employees', Consolidated Judicial, Legislative Retirement, Firemen's and Rescue Squad Workers', North Carolina National Guard, and Local Governmental Employees'. Total assets of the State's Pension Trust Funds increased by 15.0 percent to $13.3 billion.

Independent Audit

In compliance with State statute, an annual financial audit of the State entity is completed each year by the North Carolina Office of the State Auditor. The Auditor's examination was conducted in accordance with generally accepted auditing standards and his opinion has been included in this report. In addition, the State coordinates the "Single Audit" effort of all Federal funds through the State Auditor.

The North Carolina Economy - Prospects for the Future

Following this letter of transmittal is an analysis of the North Carolina economy that will assist readers in understanding the past economic performance of the State and prospects for the future. The analysis, which was developed by the Office of State Budget and Management, should contribute to an appreciation of the essential strength of the North Carolina economy.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awards certificates of achievement to governmental units that publish readable and efficiently organized CAFRs which conform to the Association's program standards and satisfy both generally accepted—accounting principles and applicable legal requirements.

The State of North Carolina is participating in the GFOA program by submitting this and future reports for review and comment by GFOA. Through the continued development of the Office of the State Controller we will strive to meet all GFOA requirements and to receive the certificate of achievement.

Acknowledgements

In conclusion, we hope this report provides useful data in evaluating the financial activity of the State of North Carolina. We in the Office of the State Controller would like to express our appreciation to the financial officers throughout State government and the Office of State Auditor for their dedicated efforts in assisting us in the preparation of this report.

Respectfully submitted,

Fred W. Talton

Fred W. Talton, CPA
State Controller
Office of the State Controller

December 30, 1988

THE NORTH CAROLINA ECONOMY

Economic Conditions During 1988

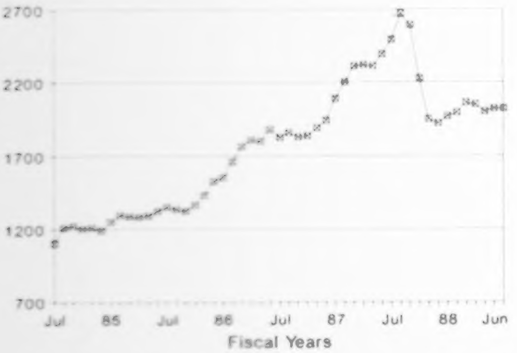
For the Nation

At the opening of fiscal year 1987-88, there were growing fears that the current record-breaking U.S. economic expansion would succumb before year-end. These fears were largely based upon the following observations:

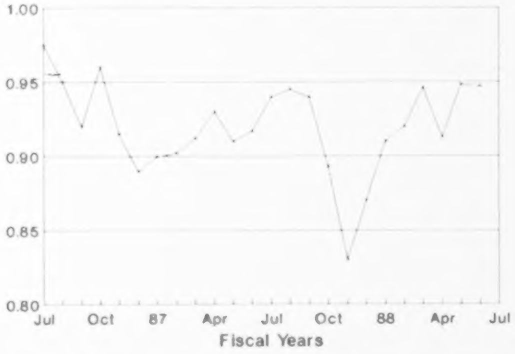
- An unemployment rate of 6% and rising capacity utilization were signalling accelerating inflation during 1988.
- The increased likelihood of inflation was putting upward pressure on interest rates.
- Weak income growth, combined with rising inflation and interest rates, would bring about a slowdown in consumer spending.
- Rising mortgage rates would stall the housing market. Multi-family housing starts would be particularly hardhit by the oversupply of existing units and the disincentives for new construction from federal tax reform.

Recession fears reached a peaked on October 19, 1987, when the average price of the Dow Jones Industrial Index fell 22.6%, the largest one-day decline in the history of Wall Street. "Black Monday" translated into a drop in household assets of almost $1 trillion, or near $4,000 per person in the United States. Historical evidence suggested that consumer spending falls, on average, 4 cents for every $1 decrease in stock prices. Therefore, immediately after the crash, most economists lowered their forecasts of economic growth as this massive loss in wealth was expected to lower consumer confidence and spending activity in the second half of 1988. Their calls for concern seem justified as the Consumer Sentiment Index fell by 11 points between August and November and real consumer expenditures declined at a 2.5% annual rate in the second quarter.

Dow Jones Industrial Average



Index of Consumer Sentiment



Recent data on both consumer spending and the general economy have been much stronger than predicted immediately after the crash. Temporarily jolted by "Black Monday," consumers' underlying confidence in their financial wellbeing remained strong. The Consumer Sentiment Index quickly rebounded to its pre-crash level and consumer spending expanded at a 3.8% average annual rate in the last six months of fiscal year 1987-88.

In addition to continued solid gains in the consumer sector, two other factors help explain the overall strength of the U.S. economy in late 1988 - the boom in business equipment investment and the sharp turnaround in U.S. foreign trade. The crash clearly had little negative impact on business capital spending decisions. As capacity utilization continued to rise, spending on producers' durable equipment surged at a 20.5% average annual rate in the final two quarters of 1988. After seven years of deterioration, the trade deficit turned around in 1988. The dollar's 37% depreciation since March 1985 restored U.S.

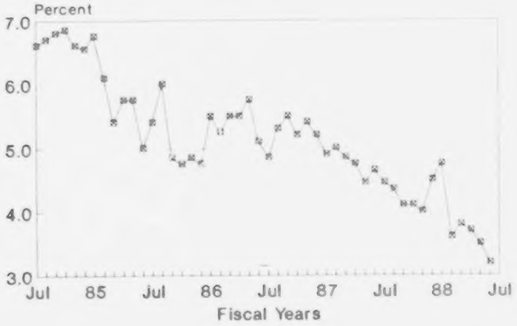
competitiveness, creating new and expanded markets for exports. Real merchandise exports expanded by nearly 20% during 1988. With exports booming and import growth slackening, the merchandise trade deficit narrowed from $154 billion to $123 billion. Overall, real Gross National Product grew at a 3.2% average annual rate, much stronger than the immediate post-crash forecast of under 1.0% real growth in the last half of 1988.

For North Carolina

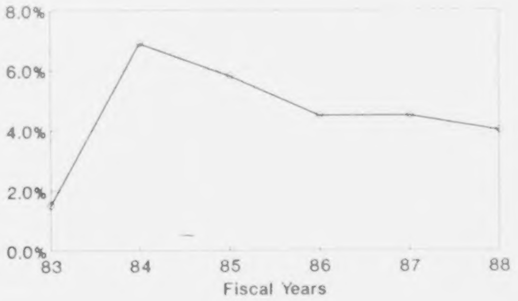
Although slowed at mid-year by the Wall Street crash, 1988 was a year of solid, but unspectacular growth for the North Carolina economy. The manufacturing sector, backbone of the State economy, expanded production by 4.6% during 1988, somewhat slower than the 7.1% gain of 1987 but slightly stronger than the 4.1% average growth rate recorded during the 1980s. State labor market conditions continued to improve in 1988. The North Carolina rate of unemployment stood at 3.2% at year-end, a marked improvement from the 4.6% rate of one year earlier. Total nonfarm employment increased by 3.1%, a gain of 88,400 new jobs. Typical of recent years, 81,100 of these new jobs were created by employers in the State's nonmanufacturing industries, led by services (+26,800), trade (+25,300), contract construction (+8,500),transportation-communication-public utilities (+7,100), and local governments (+6,900). The recovery of employment in the State's manufacturing sector, which began in 1987, continued through the first half of 1988. Total manufacturing jobs peaked at 867,600 in January 1988, a gain of 11,900 over the previous June. However, uncertain as to the direction of the State economy following "Black Monday" in October, employers trimmed their payrolls each month between February and May. Then, apparently convinced that an economic recession was nowhere in sight, manufacturers resumed hiring in June 1988, ending the year with a modest gain of 7,300 jobs. Standing at 863,000 in June, manufacturing employment represents 29.3% of total nonfarm jobs in North Carolina, down from 34.5% in 1980 and 36.1% in 1975.

Average annual wages per employee in manufacturing rose to $20,300 in 1988, an increase of 5.0%. However, this was a weaker result than the 6.1% and 5.5% experienced in 1986 and 1987 respectively as the demand for labor in manufacturing slackened in the second half of the year. Emerging shortages in the urban labor markets pushed up average wages in nonmanufacturing to $19,300 per employee, a 5.7% advance. Overall, total wage and salary payments in North Carolina grew by 9.4%, eclipsing the 8.2% average gain recorded in the two previous fiscal years.

N.C. Unemployment Rate
(Seasonally Adjusted)

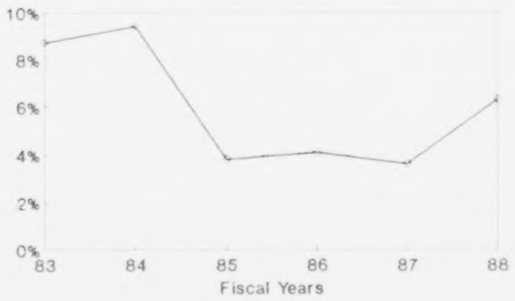


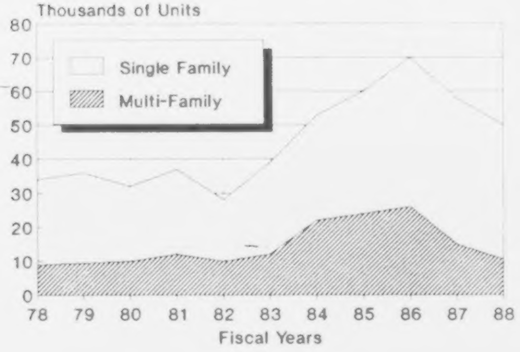
N.C. Real Personal Income
Annual Rate of Change
(1982 Dollars)



After accounting for sources of income other than wages, total personal income in North Carolina grew by 8.8% in 1988, or 4.0% after adjusting for inflation. This performance compares favorably with the 3.3% average real gain in personal income during the 1980-1987 period.

According to data gathered by the U.S. Bureau of the Census, inflation-adjusted retail sales advanced by a healthy 6.3% in 1988, the strongest year since the economic recovery years of 1983 and 1984. A sharp 11.3% increase in real consumer spending on durable goods was chiefly responsible for the strong overall sales growth. Real nondurable goods sales, largely represented by necessities such as food, clothing, and fuels, grew at a moderate 4.4% in 1988, about the same as 1987.


N.C. Retail Sales
Annual Rate of Change
(1982 Dollars)


N.C. Housing Permits

The only area of true weakness in the State economy in 1988 was the housing sector. After averaging over 62,000 during the prior three years, total new housing permit authorizations, the best predictor of future housing starts, slumped to 49,400 in 1988. In spite of rising mortgage rates and fears of recession, single-family unit authorizations held up well, falling to only 38,800 from an average of 40,900 in 1985-1987. Weakness was concentrated in the multi-family end of the market, where an oversupply of existing units and recent federal tax changes impeded new construction activity. Multi-family unit permits totaled 10,600 in 1988, down nearly 50% from the prior three-year average.

(This analysis was developed by the Office of State Budget and Management.)

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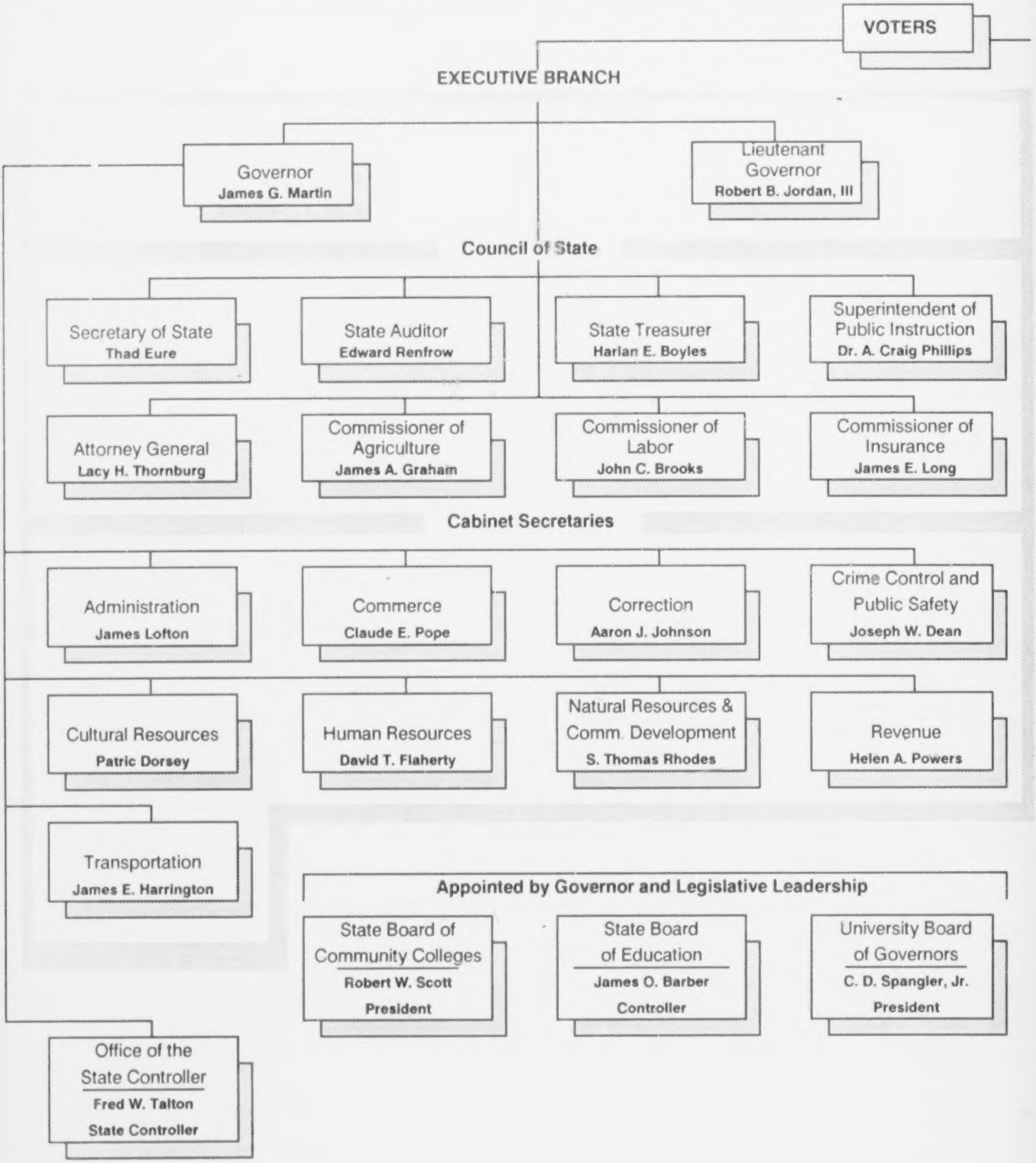
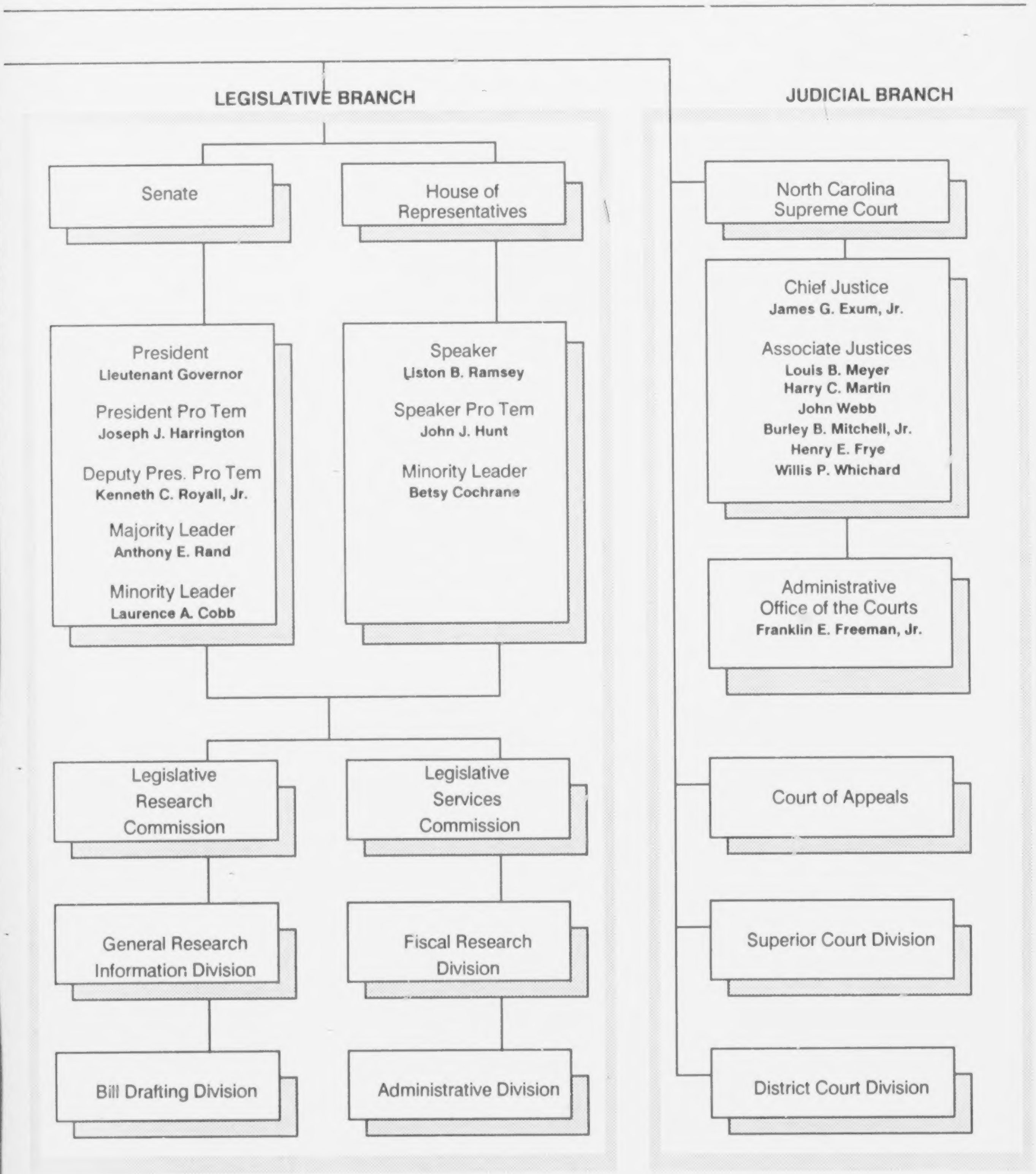
ORGANIZATIONAL CHART OF NORTH CAROLINA STATE GOVERNMENT


VOTERS
EXECUTIVE BRANCH
Governor
James G. Martin
Lieutenant Governor
Robert B. Jordan, III
Council of State
Secretary of State
Thad Eure
State Auditor
Edward Renfrow
State Treasurer
Harlan E. Boyles
Superintendent of Public Instruction
Dr. A. Craig Phillips
Attorney General
Lacy H. Thornburg
Commissioner of Agriculture
James A. Graham
Commissioner of Labor
John C. Brooks
Commissioner of Insurance
James E. Long
Cabinet Secretaries
Administration
James Lofton
Commerce
Claude E. Pope
Correction
Aaron J. Johnson
Crime Control and Public Safety
Joseph W. Dean
Cultural Resources
Patric Dorsey
Human Resources
David T. Flaherty
Natural Resources & Comm. Development
S. Thomas Rhodes
Revenue
Helen A. Powers
Transportation
James E. Harrington
Appointed by Governor and Legislative Leadership
State Board of Community Colleges
Robert W. Scott
President
State Board of Education
James O. Barber
Controller
University Board of Governors
C. D. Spangler, Jr.
President
Office of the State Controller
Fred W. Talton
State Controller


LEGISLATIVE BRANCH
Senate
House of Representatives
President
Lieutenant Governor
President Pro Tem
Joseph J. Harrington
Deputy Pres. Pro Tem
Kenneth C. Royall, Jr.
Majority Leader
Anthony E. Rand
Minority Leader
Laurence A. Cobb
Speaker
Liston B. Ramsey
Speaker Pro Tem
John J. Hunt
Minority Leader
Betsy Cochrane
Legislative Research Commission
Legislative Services Commission
General Research Information Division
Fiscal Research Division
Bill Drafting Division
Administrative Division
JUDICIAL BRANCH
North Carolina Supreme Court
Chief Justice
James G. Exum, Jr.
Associate Justices
Louis B. Meyer
Harry C. Martin
John Webb
Burley B. Mitchell, Jr.
Henry E. Frye
Willis P. Whichard
Administrative Office of the Courts
Franklin E. Freeman, Jr.
Court of Appeals
Superior Court Division
District Court Division

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FINANCIAL SECTION

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OFFICE OF THE STATE AUDITOR
LEGISLATIVE OFFICE BUILDING
300 N. SALISBURY STREET
RALEIGH, N. C. 27611

EDWARD RENFROW
STATE AUDITOR

(919) 733-3217

Governor James G. Martin
The General Assembly of North Carolina

We have audited the general purpose financial statements of the State of North Carolina as of and for the year ended June 30, 1988, as listed in the table of contents. The general purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Insured Student Loan Program of the State Educational Assistance Authority and the North Carolina Deferred Compensation Plan, which statements reflect total assets constituting 2% of the assets of the trust and agency funds and total revenues constituting 70% of the revenues of the nonexpendable trust funds; nor did we audit the financial statements of the North Carolina Housing Finance Agency and the U.S.S. North Carolina Battleship Commission, which statements reflect total assets and revenues constituting 76% and 34% of the assets and revenues, respectively, of the enterprise funds. These statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

As described more fully in Note 3F to the general purpose financial statements, the balances reported on the combined balance sheet and the additions and deletions reported on the schedule of changes in Note 3F for the general fixed assets account group are misstated by an amount which is not readily determinable.

As described more fully in Note 1P to the general purpose financial statements, not all intrafund and interfund transactions have been recorded and reported in accordance with generally accepted accounting principles. Therefore, the general purpose financial statements are misstated by an amount which is not readily determinable.

In our opinion, based upon our audit and the reports of other auditors, except for the effects of the matters discussed in the preceding paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the fund types and account groups of the State of North Carolina at June 30, 1988, and the results of each fund type's operations and the changes in financial position of the proprietary fund types, nonexpendable trust funds, and pension trust funds for the year then ended in conformity with generally accepted accounting principles.

As described more fully in Note 3B to the general purpose financial statements, the State changed the fund type classification of several funds in the year ended June 30, 1988.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of North Carolina. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based upon our audit and the reports of other auditors, except as noted in the third and fourth paragraphs above, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

We did not examine the data included in the introductory and statistical sections of this report, and accordingly, express no opinion thereon.

Edward Renfrow

Edward Renfrow
State Auditor

December 27, 1988

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GENERAL PURPOSE FINANCIAL STATEMENTS

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Required Supplementary Information - Schedule of Revenues by Source and Expenses by Type - All Pension Trust Funds 66

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1988 (With Comparative Totals for 1987)
(Expressed in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Cash and Cash Equivalents (Note 3 D)	$ 1,012,479	$ 671,535	$ 2,959	$ 158,891
Cash and Investments With Fiscal Agents (Note 3 D)	-	9,508	968	-
Investments (Note 3 D)	5,235	-	-	-
Receivables (Note 3 E)	271,179	71,599	6	991
Interfund Receivables	10,275	19,766	1,130	106
Notes Receivable	-	-	-	-
Inventories	26,861	39,059	-	-
Prepaid Expenditures/Expenses	-	550	-	-
Fixed Assets (Note 3 F, 3 G)	-	-	-	-
Securities Held In Trust	-	1,931	-	-
Amount Available in Debt Service Funds	-	-	-	-
Amount to be Provided for Retirement of General Long-Term Obligations	-	-	-	-
Total Assets and Other Debits	$ 1,326,029	$ 813,948	$ 5,063	$ 159,988
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable and Accrued Liabilities	$ 696,686	$ 118,774	$ -	$ 7,880
Interfund Payables	21,017	16,571	-	2,187
Notes Payable	-	-	-	-
Claims and Benefits Payable	-	-	-	-
Capital Leases Payable (Note 3 J)	-	-	-	-
Bonds Payable (Note 3 K)	-	-	700	-
Interest Payable	-	-	268	-
Deposits Payable	164	22,061	-	2,680
Accrued Vacation Leave (Note 3 H)	-	-	-	-
Deferred Revenue	66,733	1,843	1,130	15
Total Liabilities	784,600	159,249	2,098	12,762
Fund Equity and Other Credits:				
Contributed Capital	-	-	-	-
Retained Earnings	-	-	-	-
Investment In General Fixed Assets	-	-	-	-
Fund Balances:				
Reserved/Restricted (Note 3 L)	117,927	55,515	2,965	-
Unreserved/Unrestricted:				
Designated for Subsequent Years' Expenditures	55,277	599,184	-	147,226
Undesignated	368,225	-	-	-
Total Fund Equity and Other Credits	541,429	654,699	2,965	147,226
Total Liabilities, Fund Equity and Other Credits	$ 1,326,029	$ 813,948	$ 5,063	$ 159,988

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-1

Proprietary Fund Types		Fiduciary Fund Types	Account Groups			Totals (Memorandum Only)	
			General	General			
Enterprise	Internal Service	Trust and Agency	Fixed Assets	Long-Term Obligations	University	June 30, 1988	June 30, 1987
$ 69,341	$ 136,799	$ 1,811,497	$ -	$ -	$ 482,838	$ 4,346,339	$ 3,692,314
-	-	-	-	-	34,755	45,231	70,720
169,933	60,989	13,527,024	-	-	406,709	14,169,890	12,383,445
50,108	29,636	98,691	-		64,616	586,826	519,017
10	17,451	13,701	-	-	18,605	81,044	52,060
664,371	-	85,757	-	-	62,311	812,439	731,075
7,006	26,339	718	-	-	21,263	121,246	112,090
4,217	309	-	-	-	1,678	6,754	7,206
177,885	146,140	-	1,357,518	-	2,299,980	3,981,523	3,589,988
240	-	230,628	-	-	-	232,799	212,740
-	-	-	-	2,965	-	2,965	4,180
-	-	-	-	816,826	-	816,826	879,168
$ 1,143,111	$ 417,663	$ 15,768,016	$ 1,357,518	$ 819,791	$ 3,392,755	$ 25,203,882	$ 22,254,003
$ 14,070	$ 20,076	$ 336,137	$ -	$ 11,790	$ 80,122	$ 1,285,535	$ 980,461
683	909	32,394	-	-	15,712	89,473	59,872
863	18	-	-	-	38,466	39,347	34,370
5,534	68,174	7,926	-	-	-	81,634	57,061
6	9,389	-	-	1,695	9,356	20,446	23,615
769,816	1,415	-	-	712,640	243,494	1,728,065	1,794,830
25,336	50	-	-	-	6,310	31,964	22,943
5,084	19	369,353	-	-	80,766	480,127	420,133
6,161	646	-	-	93,666	44,939	145,412	125,666
994	1,896	4,624	-	-	13,174	90,409	97,337
828,547	102,592	750,434	-	819,791	532,339	3,992,412	3,616,288
99,810	42,558	-	-	-	-	142,368	116,544
214,754	272,513	-	-	-	-	487,267	403,362
-	-	-	1,357,518	-	2,102,027	3,459,545	3,101,735
-	-	15,017,582	-	-	368,065	15,562,054	13,634,365
-	-	-	-	-	192,162	993,849	847,594
-	-	-	-	-	198,162	566,387	534,115
314,564	315,071	15,017,582	1,357,518	-	2,860,416	21,211,470	18,637,715
$ 1,143,111	$ 417,663	$ 15,768,016	$ 1,357,518	$ 819,791	$ 3,392,755	$ 25,203,882	$ 22,254,003

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1988 (With Comparative Totals for 1987)
(Expressed in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes	$ 5,775,503	$ 606,203	$ -	$ -
Federal Funds	1,602,253	385,426	-	7,980
Local Funds	86,703	26,030	-	302
Investment Earnings	172,564	40,079	67	21
Sales and Services	67,813	2,953	-	81
Sale, Rental and Lease of Property	4,297	161	-	83
Fees, Licenses and Fines	120,489	284,436	-	-
Contributions, Gifts and Grants	1,159	7,950	-	83
Miscellaneous	20,459	14,636	-	251
Total Revenues	7,851,240	1,367,874	67	8,801
Expenditures:				
Current:				
General Government	269,396	5,340	-	-
Public Safety and Regulation	269,317	90,581	-	-
Corrections	276,272	771	-	-
Public Education and Community Colleges	3,158,861	54,802	-	-
Transportation	-	1,111,910	-	-
Health, Welfare and Rehabilitation	2,148,724	20,505	-	-
Resource Development and Preservation	287,964	39,834	-	-
Agriculture	49,091	-	-	-
Claims and Benefits	-	66,168	-	-
Capital Outlay	-	-	-	87,008
Intergovernmental	-	-	-	2,807
Debt Service:				
Bond Principal Retirement	-	-	68,024	-
Bond Interest	-	-	45,158	-
Refunded Bond Escrow Payment	-	-	-	-
Total Expenditures	6,459,625	1,389,911	113,182	89,815
Excess Revenues Over (Under) Expenditures	1,391,615	(22,037)	(113,115)	(81,014)
Other Financing Sources (Uses):				
Operating Transfers In	128,683	361,251	113,520	74,016
Operating Transfers Out	(1,598,519)	(144,477)	-	(28,055)
Proceeds of Refunded Bonds	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Funds Escheated	-	-	-	-
Refund of Funds Escheated	-	-	-	-
Transfer to Private Sector	-	-	-	-
Proceeds from Bond Sale	-	-	-	-
Total Other Financing Sources (Uses)	(1,469,836)	216,774	113,520	45,961
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(78,221)	194,737	405	(35,053)
Fund Balances - July 1 - As Previously Reported	608,358	457,985	4,180	182,529
Restatements (Note 3 C)	67	(2,698)	-	(250)
Residual Equity Transfers (Note 3 N):				
Transfers In	9,000	1,628	-	-
Transfers Out	-	-	(1,620)	-
Increase In Reserve for Related Assets	2,225	3,047	-	-
Fund Balances - June 30	$ 541,429	$ 654,699	$ 2,965	$ 147,226

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

Fiduciary Fund Types	Totals (Memorandum Only)	
Expendable Trust	June 30, 1988	June 30, 1987
$ 236,612	$ 6,618,318	$ 6,091,517
6,014	2,001,673	1,861,820
151	113,186	109,954
122,345	335,076	292,397
12,483	83,330	64,539
238	4,779	4,485
5,160	410,085	371,971
31,167	40,359	24,338
1,889	37,235	58,858
416,059	9,644,041	8,879,879
1,445	276,181	221,427
496	360,394	323,846
10,902	287,945	262,221
673	3,214,336	2,890,358
-	1,111,910	950,076
1,869	2,171,098	1,995,268
165	327,963	304,585
594	49,685	46,654
187,157	253,325	296,506
-	87,008	51,425
-	2,807	2,142
-	68,024	33,072
-	45,158	35,029
-	-	29,094
203,301	8,255,834	7,441,703
212,758	1,388,207	1,438,176
1,782	679,252	507,104
(4,953)	(1,776,004)	(1,486,480)
-	-	460,007
-	-	(459,471)
7,784	7,784	7,058
(1,390)	(1,390)	(1,162)
(444)	(444)	-
-	-	46,000
2,779	(1,090,802)	(926,944)
215,537	297,405	511,232
1,362,043	2,615,095	2,104,526
(2)	(2,883)	(11,365)
-	10,628	19,693
(9,008)	(10,628)	(21,181)
90	5,362	12,190
$ 1,568,660	$ 2,914,979	$ 2,615,095

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) GENERAL AND SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 1988

(Expressed in Thousands)

	General Fund				
				Variance-Favorable (Unfavorable)	
	Certified Budget	Final Budget	Actual (Budgetary Basis)	Certified Budget	Final Budget
Revenues:					
Taxes:					
Income	$ 3,187,300	$ 3,187,509	**$ 3,312,805**	$ 125,505	$ 125,296
Sales and Use	1,530,700	1,530,741	**1,555,267**	24,567	24,526
Other	662,831	662,876	**683,217**	20,386	20,341
Non-Tax:					
Fees, Licenses and Fines	41,100	41,100	**66,402**	25,302	25,302
Investment Income	148,300	148,300	**167,117**	18,817	18,817
Other	45,909	45,557	**19,719**	(26,190)	(25,838)
Departmental:					
Federal Funds	1,690,744	1,702,878	**1,576,323**	(114,421)	(126,555)
Local Funds	219,604	232,051	**224,832**	5,228	(7,219)
Inter-Agency Grants and Allocations	58,776	62,806	**57,292**	(1,484)	(5,514)
Intra-Agency Transfers	62,348	269,555	**259,949**	197,601	(9,606)
Sales and Services	333,371	352,380	**357,112**	23,741	4,732
Rental and Lease Income	4,136	4,401	**4,101**	(35)	(300)
Fees, Licenses and Fines	44,738	47,724	**47,234**	2,496	(490)
Contributions, Gifts and Grants	5,951	6,095	**5,630**	(321)	(465)
Universities	209,055	218,559	**211,924**	2,869	(6,635)
Miscellaneous	5,877	12,436	**27,000**	21,123	14,564
Unbudgeted Funds	-	-	**-**	-	-
Total Revenues	8,250,740	8,524,968	**8,575,924**	325,184	50,956
Expenditures:					
Current:					
General Government	199,708	190,535	**190,037**	9,671	498
Public Safety and Regulation	274,633	282,770	**272,966**	1,667	9,804
Corrections	280,503	281,499	**276,010**	4,493	5,489
Public Education and Community Colleges	3,365,833	3,522,625	**3,387,192**	(21,359)	135,433
Transportation	5,262	5,262	**5,262**	-	-
Universities	1,320,433	1,345,590	**1,295,250**	25,183	50,340
Health, Welfare, and Rehabilitation	2,513,166	2,569,324	**2,494,954**	18,212	74,370
Resource Development and Preservation	362,983	375,956	**325,720**	37,263	50,236
Agriculture	52,686	54,643	**50,838**	1,848	3,805
Debt Service	73,923	73,923	**73,923**	-	-
Capital Outlay	82,385	173,020	**173,020**	(90,635)	-
Budgeted Non-Cash Transactions	-	-	**-**	-	-
Total Expenditures	8,531,515	8,875,147	**8,545,172**	(13,657)	329,975
Excess Revenues Over (Under) Expenditures	(280,775)	(350,179)	**30,752**	311,527	380,931
Fund Balances (Budgetary Basis) at July 1, 1987	362,183	362,183	**362,183**	-	
Add Encumbrances and Reserves Reappropriated	-	-	**-**	-	-
Adjusted Fund Balances (Budgetary Basis) at July 1, 1987	362,183	362,183	**362,183**	-	-
Fund Balances (Budgetary Basis) at June 30, 1988	$ 81,408	$ 12,004	**$ 392,935**	$ 311,527	$ 380,931

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-3

Special Revenue Funds					Totals (Memorandum Only)				
			Variance-Favorable (Unfavorable)					Variance-Favorable (Unfavorable)	
Certified Budget	Final Budget	Actual (Budgetary Basis)	Certified Budget	Final Budget	Certified Budget	Final Budget	Actual (Budgetary Basis)	Certified Budget	Final Budget
$ -	$ -	**$ -**	$ -	$ -	$ 3,187,300	$ 3,187,509	**$ 3,312,805**	$ 125,505	$ 125,296
-	-	**-**	-	-	1,530,700	1,530,741	**1,555,267**	24,567	24,526
606,000	606,000	**612,227**	6,227	6,227	1,268,831	1,268,876	**1,295,444**	26,613	26,568
227,000	227,565	**241,574**	14,574	14,009	268,100	268,665	**307,976**	39,876	39,311
23,000	23,000	**33,925**	10,925	10,925	171,300	171,300	**201,042**	29,742	29,742
7,700	7,700	**8,881**	1,181	1,181	53,609	53,257	**28,600**	(25,009)	(24,657)
44,227	336,829	**344,751**	300,524	7,922	1,734,971	2,039,707	**1,921,074**	186,103	(118,633)
721	27,156	**26,370**	25,649	(786)	220,325	259,207	**251,202**	30,877	(8,005)
167,242	282,926	**275,549**	108,307	(7,377)	226,018	345,732	**332,841**	106,823	(12,891)
29,126	39,153	**40,072**	10,946	919	91,474	308,708	**300,021**	208,547	(8,687)
1,979	2,389	**2,127**	148	(262)	335,350	354,769	**359,239**	23,889	4,470
154	198	**170**	16	(28)	4,290	4,599	**4,271**	(19)	(328)
30,109	32,167	**30,020**	(89)	(2,147)	74,847	79,891	**77,254**	2,407	(2,637)
236	1,282	**1,191**	955	(91)	6,187	7,377	**6,821**	634	(556)
28,671	35,910	**52,995**	24,324	17,085	237,726	254,469	**264,919**	27,193	10,450
8,599	11,392	**18,000**	9,401	6,608	14,476	23,828	**45,000**	30,524	21,172
-	-	**1,559**	1,559	1,559	-	-	**1,559**	1,559	1,559
1,174,764	1,633,667	**1,689,411**	514,647	55,744	9,425,504	10,158,635	**10,265,335**	839,831	106,700
91,426	96,114	**21,387**	70,039	74,727	291,134	286,649	**211,424**	79,710	75,225
111,440	123,724	**112,708**	(1,268)	11,016	386,073	406,494	**385,674**	399	20,820
958	1,201	**767**	191	434	281,461	282,700	**276,777**	4,684	5,923
278	113,796	**12,062**	(11,784)	101,734	3,366,111	3,636,421	**3,399,254**	(33,143)	237,167
882,372	1,508,914	**1,207,628**	(325,256)	301,286	887,634	1,514,176	**1,212,890**	(325,256)	301,286
29,432	39,635	**50,739**	(21,307)	(11,104)	1,349,865	1,385,225	**1,345,989**	3,876	39,236
26,448	29,045	**21,798**	4,650	7,247	2,539,614	2,598,369	**2,516,752**	22,862	81,617
50,992	38,074	**44,221**	6,771	(6,147)	413,975	414,030	**369,941**	44,034	44,089
-	-	**-**	-	-	52,686	54,643	**50,838**	1,848	3,805
-	-	**-**	-	-	73,923	73,923	**73,923**	-	-
-	-	**-**	-	-	82,385	173,020	**173,020**	(90,635)	-
-	-	**19**	(19)	(19)	-	-	**19**	(19)	(19)
1,193,346	1,950,503	**1,471,329**	(277,983)	479,174	9,724,861	10,825,650	**10,016,501**	(291,640)	809,149
(18,582)	(316,836)	**218,082**	236,664	534,918	(299,357)	(667,015)	**248,834**	548,191	915,849
33,271	33,271	**33,271**	-	-	395,454	395,454	**395,454**	-	-
1,023,336	1,023,336	**1,023,336**	-	-	1,023,336	1,023,336	**1,023,336**	-	-
1,056,607	1,056,607	**1,056,607**	-	-	1,418,790	1,418,790	**1,418,790**	-	-
$ 1,038,025	$ 739,771	**$ 1,274,689**	$ 236,664	$ 534,918	$ 1,119,433	$ 751,775	**$ 1,667,624**	$ 548,191	$ 915,849

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

For the Fiscal Year Ended June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Proprietary Fund Types	
	Enterprise	Internal Service
Operating Revenues:		
Sales and Services	$ 217,800	$ 178,124
Federal Funds	-	-
Investment Earnings	80,842	14,771
Rental and Lease Earnings	2,388	902
Fees, Licenses and Fines	2,828	1,774
Contributions	4	75,572
Federal Grants	15,066	-
Insurance Premiums	-	294,069
Miscellaneous	10,482	184
Local Funds	-	3,052
Allowances and Uncollectible Accounts	(38,666)	-
Total Operating Revenues	290,744	568,448
Operating Expenses:		
Personal Services	132,415	50,439
Supplies and Materials	38,807	98,218
Services	23,212	24,078
Interest	68,706	-
Purchases for Resale	302	20,855
Depreciation/Amortization	16,089	26,668
Federal Grants	14,588	-
Claims and Benefits	-	341,158
Refund of Contributions	-	-
Other	9,496	11,142
Total Operating Expenses	303,615	572,558
Operating Income (Loss)	(12,871)	(4,110)
Total Net Nonoperating Revenues	13	2,330
Income (Loss) Before Operating Transfers	(12,858)	(1,780)
Operating Transfers:		
Operating Transfers In	47,587	55,667
Operating Transfers Out	(563)	(2,741)
Total Operating Transfers In (Out)	47,024	52,926
Net Income Before Extraordinary Loss	34,166	51,146
Extraordinary Loss	(1,409)	-
Net Income	32,757	51,146
Fund Equity - July 1 - As Previously Reported	261,933	257,973
Restatements (Note 3 C)	(26)	28
Residual Equity Transfers (Note 3 N):		
Transfers Out	-	-
Increase in Contributed Capital	19,900	5,924
Fund Equity - June 30	$ 314,564	$ 315,071

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-4

Fiduciary Fund Types		Totals (Memorandum Only)	
Nonexpendable Trust	Pension Trust	June 30, 1988	June 30, 1987
$ -	$ -	$ 395,924	$ 347,150
2,646	-	2,646	2,930
8,707	1,418,275	1,522,595	1,232,122
-	-	3,290	2,767
604	4,200	9,406	14,105
106	912,431	988,113	939,039
-	-	15,066	-
-	-	294,069	220,008
-	209	10,875	6,104
-	-	3,052	2,205
-	-	(38,666)	(32,166)
12,063	2,335,115	3,206,370	2,734,264
5	3,523	186,382	169,230
-	-	137,025	65,533
1,332	-	48,622	20,189
353	-	69,059	74,801
-	-	21,157	114,904
-	-	42,757	35,536
-	-	14,588	15,845
-	532,329	873,487	756,092
-	61,915	61,915	55,850
1,221	-	21,859	23,032
2,911	597,767	1,476,851	1,331,012
9,152	1,737,348	1,729,519	1,403,252
-	-	2,343	19,990
9,152	1,737,348	1,731,862	1,423,242
13,622	-	116,876	84,130
(64)	-	(3,368)	(5,216)
13,558	-	113,508	78,914
22,710	1,737,348	1,845,370	1,502,156
-	-	(1,409)	(2,890)
22,710	1,737,348	1,843,961	1,499,266
124,686	11,568,364	12,212,956	10,710,175
(55)	-	(53)	-
(4,131)	-	(4,131)	(112)
-	-	25,824	3,627
$ 143,210	$ 13,305,712	$ 14,078,557	$ 12,212,956

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

For the Fiscal Year Ended June 30,1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Proprietary Fund Types	
	Enterprise	Internal Service
Sources of Working Capital:		
Operations:		
Net Income	$ 32,757	$ 51,146
Items Not Requiring (Providing) Working Capital:		
Depreciation/ Amortization	16,089	26,668
Loss on Sale or Transfer of Fixed Assets	54	240
Working Capital Provided by Operations	48,900	78,054
Proceeds from Sale of Bonds	77,339	-
Proceeds from Sale of Investments	85,460	-
Principal Collections on Loans	40,573	-
Other Sources	19,978	11,842
Total Sources of Working Capital	272,250	89,896
Uses of Working Capital:		
Acquisition of Fixed Assets	24,561	45,231
Purchase of Investments	24,048	-
Purchase of Mortgage Loans Receivable	123,041	-
Retirement of Bonds	62,908	65
Issuance of Student Loans	-	-
Other Uses	2,101	5,772
Total Uses of Working Capital	236,659	51,068
Net Increase in Working Capital	$ 35,591	$ 38,828
Elements of Net Increase (Decrease) In Working Capital:		
Cash and Cash Equivalents	$ 37,556	$ 52,172
Investments	(237)	4,567
Receivables	10,171	9,911
Interfund Receivables	(1)	(489)
Notes Receivable	-	-
Inventories	1,188	3,704
Prepaid Expenses	(191)	21
Payables	(759)	(9,466)
Interfund Payables	90	211
Notes Payable	(11)	(5)
Claims and Benefits Payable	-	(19,214)
Capital Leases Payable	7	(1,096)
Bonds Payable	(2,150)	(5)
Interest Payable	(6,371)	2
Deposits Payable	(4,773)	(4)
Accrued Vacation Leave	(740)	(646)
Deferred Revenue	1,812	(835)
Net Increase in Working Capital	$ 35,591	$ 38,828

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-5

Fiduciary Fund Types		Totals (Memorandum Only)	
Nonexpendable Trust	Pension Trust	June 30, 1988	June 30, 1987
$ 22,710	$ 1,737,348	$ 1,843,961	$ 1,499,266
246	-	43,003	41,037
-	-	294	1,171
22,956	1,737,348	1,887,258	1,541,474
-	-	77,339	57,613
58,028	-	143,488	162,643
12,614	-	53,187	60,082
25	-	31,845	20,780
93,623	1,737,348	2,193,117	1,842,592
-	-	69,792	52,223
49,250	-	73,298	70,429
-	-	123,041	62,648
25,620	-	88,593	165,134
3,786	-	3,786	4,224
4,186	-	12,059	14,823
82,842	-	370,569	369,481
$ 10,781	$ 1,737,348	$ 1,822,548	$ 1,473,111
$ 8,928	$ (661)	$ 97,995	$ (20,069)
8	1,736,171	1,740,509	1,472,703
325	1,827	22,234	14,294
550	-	60	11,367
476	-	476	(13)
-	-	4,892	(18,388)
-	-	(170)	(271)
-	11	(10,214)	8,704
6	(2)	305	(929)
-	-	(16)	178
-	2	(19,212)	10,911
-	-	(1,089)	(1,254)
-	-	(2,155)	(270)
488	-	(5,881)	(2,685)
-	-	(4,777)	167
-	-	(1,386)	(434)
-	-	977	(900)
$ 10,781	$ 1,737,348	$ 1,822,548	$ 1,473,111

COMBINED STATEMENT OF CHANGES IN FUND EQUITY ALL UNIVERSITY FUND TYPES

For the Fiscal Year Ended June 30, 1988 (With Comparative Totals for 1987)

Exhibit A-6

(Expressed in Thousands)

	University Fund Types			Totals (Memorandum Only)	
	Current	Fiduciary	Plant	June 30, 1988	June 30, 1987
Revenues and Other Additions:					
Tuition and Fees	$ 185,095	$ -	$ 2,651	$ 187,746	$ 173,530
Unrestricted Gifts, Grants, and Contracts	60,808	-	-	60,808	305,996
Restricted Gifts, Grants and Contracts	285,031	11,842	10,709	307,582	25,915
Sales and Services	356,411	-	-	356,411	320,059
Investment Earnings	36,157	11,330	10,770	58,257	68,364
Expended for Plant Facilities	-	-	192,394	192,394	171 977
Retirement of Indebtedness	-	-	14,066	14,066	29,350
Proceeds from Notes and Bonds Issued	-	-	-	-	10,581
Other Revenues and Additions	20,240	1,451	1,078	22,769	25,750
Total Revenues and Other Additions	943,742	24,623	231,668	1,200,033	1,131,522
Expenditures and Other Deductions:					
Educational and General	1,451,768	-	-	1,451,768	1,314,336
Auxiliary Enterprise and Internal Service	320,242	-	-	320,242	294,660
Administrative and Collection Costs, Loan Cancellation, and Bad Debts	-	3,497	-	3,497	4,233
Expended for Plant Facilities	-	-	118,944	118,944	88,785
Retirement of Indebtedness	-	-	11,518	11,518	32,285
Interest on Indebtedness	-	-	17,428	17,428	11,538
Disposal of Plant Facilities	-	-	18,153	18,153	28,572
Capital Lease Additions	-	-	-	-	582
Other Expenditures and Deductions	-	510	492	1,002	6,780
Total Expenditures and Other Deductions	1,772,010	4,007	166,535	1,942,552	1,781,771
Other Financing Sources (Uses):					
Transfers In	931,297	4,872	138,553	1,074,722	1,175,345
Transfers Out	(68,192)	(411)	(24,890)	(93,493)	(253,313)
Total Other Financing Sources (Uses)	863,105	4,461	113,663	981,229	922,032
Net Increase in Fund Equity	34,837	25,077	178,796	238,710	271,783
Fund Equity - July 1 - As Previously Reported	246,772	233,832	2,148,253	2,628,857	2,357,074
Restatements (Note 3 C)	(4,782)	1,494	(7,994)	(11,282)	-
Residual Equity Transfers (Note 3 N)	-	4,131	-	4,131	-
Fund Equity- June 30	$ 276,827	$ 264,534	$ 2,319,055	$ 2,860,416	$ 2,628,857

The accompanying Notes to the Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the State of North Carolina have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). The financial statements of the University Funds have been prepared in conformity with generally accepted accounting principles for colleges and universities as prescribed by the National Association of College and University Business Officers (NACUBO) and the American Institute of Certified Public Accountants (AICPA).

The financial statements are presented as of and for the fiscal year ended June 30, 1988, except for the U.S.S. North Carolina Battleship Commission whose statements are as of and for the fiscal year ended September 30, 1987 and the North Carolina Deferred Compensation Plan whose statements are as of and for the calendar year ended December 31, 1987.

B. FINANCIAL REPORTING ENTITY

For financial reporting purposes the State of North Carolina entity includes all fund types, account groups, departments and agencies of the State, as well as universities and boards, commissions, and authorities, over which the State's executive, legislative and judicial branches exercise oversight responsibility. This is in conformity with the guidelines issued by the Governmental Accounting Standards Board in their GASB Codification Section 2100.

The criteria for including an organization in the State's reporting entity are determined on the basis of accountability for fiscal matters, designation of management, ability to significantly influence operations, selection of governing authority, scope of public service, and any special relationships.

Based on the application of the GASB Codification Section 2100 criteria, the following organizations in addition to those mentioned above meet the oversight criteria and are included in the accompanying financial statements:

USS North Carolina Battleship Commission (*Enterprise Fund*)
North Carolina State Ports Authority (*Enterprise Fund*)
North Carolina Ports Railway Commission (*Enterprise Fund*)
North Carolina Housing Finance Authority (*Enterprise Fund*)
Insured Student Loan Program (*Nonexpendable Trust Fund*)
North Carolina Deferred Compensation Plan (*Agency Fund*)

The following significant organizations have been determined not to be a part of the reporting entity after applying the manifestations of oversight, scope of public service, or special financing relationships criteria of GASB Codification Section 2100 and are, therefore, excluded from the accompanying financial statements because, except for fiduciary responsibilities in some instances, the State does not control the assets, operations or management of the respective entities:

Community Colleges (other than State aid)
Local School Administrative Units (other than State aid)

North Carolina Microelectronics Center
North Carolina Biotechnology Center
Local Alcohol and Beverage Control (ABC) Boards and Stores
State Licensing Boards:

- Architecture Board
- Barbers' Examiners Board
- Chiropractic Examiners
- Forester's Registration Board
- Landscape Architects Board
- Board of Mortuary Science
- Optometry Board
- Pharmacy Board
- Practicing Psychologists Board
- Real Estate Licensing Board
- Sanitarian Examiners
- Electrical Contractors Examiners
- Marital and Family Therapy Certification Board
- Certified Public Accountant Examiners
- Cosmetic Arts Board
- Contractor's Licensing Board
- Hearing Aid Dealers and Fitters Board
- Landscape Contractor's Registration Board
- Opticians Board
- Osteopathic Examination and Registration
- Physical Therapy Examiners
- Nursing Home Administrators Licensing Board
- Refrigeration Examiners
- Veterinary Medical Board
- Plumbing and Heating Contractors Examiners
- Auctioneer Licensing Board
- Speech, Language Pathologists and Audiologists Board of Examiners
- State Board of Registration for Professional Engineers/Land Surveyors

C. FUND ACCOUNTING

The financial activities of the State are organized on a basis of individual funds and account groups, each of which is a separate accounting entity segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. The financial activities of the State accounted for in the accompanying financial statements have been classified into the following fund categories and account groups:

1. GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the State are financed. The acquisition, use and balances of the State's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination.

The following are the State's governmental funds:

GENERAL FUND - All financial resources received and used for services traditionally provided by a State government and not required to be accounted for in other funds are accounted for in the General Fund. These services include general government; public safety and regulation; education (other than institutions of higher education); health, welfare and rehabilitation; resource development and preservation; and agriculture.

SPECIAL REVENUE FUNDS - Transactions related to resources obtained from specific revenue sources (other than for expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes are accounted for in Special Revenue Funds. Special Revenue Funds account for highway maintenance and construction, activities funded by the issuance of General Obligation Bonds, and other resources restricted as to purpose.

DEBT SERVICE FUNDS - Transactions related to resources obtained and accumulated to pay interest and principal on general long-term obligations (other than capital leases, compensated absences and unfunded retirement costs) are generally accounted for in Debt Service Funds.

CAPITAL PROJECTS FUND - Transactions related to resources obtained and used for the acquisition, construction or improvement of major governmental general fixed assets are accounted for in the Capital Projects Fund. Such resources are derived principally from operating transfers from the General Fund.

2. *PROPRIETARY FUNDS*

Proprietary funds are used to account for the State's ongoing activities which are similar to those often found in the private sector. The proprietary fund measurement focus is upon determination of net income, financial position, and changes in financial position. The generally accepted accounting principles used are those applicable to similar businesses in the private sector; thus, these funds are reported on the accrual basis of accounting. The following are the State's proprietary funds.

ENTERPRISE FUNDS - Enterprise Funds account for operations of State government that are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. The acquisition, maintenance and improvement of physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation), Federal grants and other State funds.

INTERNAL SERVICE FUNDS - Internal Service Funds account for the operations of State agencies that provide services to other State agencies, departments or other governmental units on a cost reimbursement basis.

3. *FIDUCIARY FUNDS*

Fiduciary funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the State's fiduciary funds.

TRUST FUNDS

EXPENDABLE - Expendable Trust Funds account for assets held by the State in a trustee capacity where the principal and income may be expended in the course of the funds' designated operations.

NONEXPENDABLE - Nonexpendable Trust Funds account for assets held by the State in a trustee capacity where only income derived from the principal may be expended in the course of the funds' designated operations. The principal must be preserved intact.

PENSION - Pension Trust Funds account for transactions, assets, liabilities, and net assets available for plan benefits of the various State public employee retirement systems.

AGENCY FUNDS

Agency Funds account for the various taxes, deposits, deductions, and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

4. *ACCOUNT GROUPS*

Account groups are used to establish accounting control and accountability for the State's General Fixed Assets and General Long-Term Obligations and do not involve measurement of operations.

GENERAL FIXED ASSETS ACCOUNT GROUP - This account group is established to account for fixed assets acquired for general government purposes, except those accounted for in proprietary funds or University Funds. General fixed assets do not represent financial resources available for appropriation and expenditure.

GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP - This account group is established to account for the unmatured principal of the State's general long-term debt and other long-term obligations of governmental funds. The unmatured principal of general long-term debt and other long-term obligations do not require current appropriation and expenditure of governmental fund financial resources.

5. *UNIVERSITY FUNDS*

University Funds account for the operations of State universities in accordance with existing authoritative accounting and reporting principles applicable to universities. Accordingly, the University Funds are an aggregation of the following funds:

CURRENT FUNDS - Current Funds account for economic resources of the institution which are expendable for any purpose in performing the primary objectives of the institution and which have not been designated by the governing body for any other purposes. Resources restricted for specific current operating purposes by a donor or other external agency are accounted for as Restricted Current Funds.

FIDUCIARY FUNDS

LOAN - Loan Funds account for resources available for loans to students, staff and faculty.

ENDOWMENT - Endowment and similar funds are similar to trust funds in that they must be administered in accordance with the terms of the applicable agreements.

PLANT FUNDS - Plant Funds consist of resources available to acquire or repair institutional properties, to service debt incurred to acquire such properties and the cost of fixed assets and the sources from which the cost is funded, including associated liabilities. The Plant Funds resources and activities are accounted for in three sub-groups: Unexpended, Debt Service and Investment in Plant.

D. BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied.

Governmental Funds, Expendable Trust Funds and Agency Funds

The accounts of the General, Special Revenue, Debt Service, Capital Projects, Expendable Trust and Agency Funds are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. Material revenues susceptible to accrual include federal grants. Expenditures and other uses of financial resources are recognized when the related liability is incurred, except for items that are not planned to be liquidated with expendable available resources, such as the long-term portion of the liability for compensated absences and capital lease obligations.

Other modifications to the accrual basis of accounting include:

- Inventories generally are considered expenditures at acquisition;
- Prepayments usually are not capitalized; and
- Principal and interest on long-term debt are recorded when due.

Proprietary, Nonexpendable Trust and Pension Trust Funds

The accounts of the Enterprise, Internal Service, Nonexpendable Trust and Pension Trust Funds are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

University Funds

The accounts of the University Funds are reported using the accrual basis of accounting with the following exceptions:

- Depreciation expense related to Plant Fund assets is not recorded.
- Revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the program is predominantly conducted.

E. BUDGETARY PROCESS

The State of North Carolina operates on a biennial budget cycle with departmental certified budgets adopted on the cash basis of accounting for the General, Special Revenue, and Capital Projects Fund. Separate budgets are adopted by the General Assembly for each year, except for the Capital Projects Fund and Special Revenue Bond Funds, which are budgeted on a project basis. These funds are, therefore, not included on the budgetary comparison statements. Since the budget basis differs from generally accepted accounting principles (GAAP), actual amounts in the accompanying budgetary comparison statements are presented on the budgetary basis. A reconciliation between the budgetary basis and the GAAP basis is presented in Note 3 A.

Budgetary control is exercised at the departmental and university level. The "Certified Budget" is the legal expenditure authority created by the appropriation bills which are signed into law by the N. C. State Legislature. The departments and universities are permitted to overexpend their "Certified Budget" within prescribed guidelines as authorized by the State Legislature and approved by the Office of State Budget and Management (OSBM). The "Certified Budget" plus the approved amount to overexpend results in the "Final Budget" for each department and University as presented in the accompanying financial statements. In certain emergency situations, the OSBM, with Council of State approval, may allot additional funds from the contingency and emergency appropriation reserves. Appropriations lapse at the end of each fiscal year.

An encumbrance system is maintained by most state departments to account for commitments resulting from approved purchase orders, work orders and contracts. Encumbrances at year-end represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders in process are completed. Encumbrances at year-end do not constitute expenditures or liabilities. Encumbrances outstanding at year-end for unfulfilled obligations of the current year budget are re-established in the succeeding year and expended from that year's appropriations.

Detailed appropriation and departmental budget information is available through the Office of State Budget and Management, 116 West Jones Street, Raleigh, N. C. 27603.

F. CASH AND CASH EQUIVALENTS

This classification includes undeposited receipts, petty cash, bank accounts, and pooled cash accounts (Short-Term Investment Pool and Liquid Asset Pool) managed by the State Treasurer.

G. INVESTMENTS

This classification includes long-term pooled investments stated at cost and long-term non-pooled investments that are stated at cost or amortized cost. Note 3 D provides a detailed listing of the types of investments that State law allows.

H. RECEIVABLES AND INTERFUND RECEIVABLES

Receivables in the State's governmental and fiduciary funds consist primarily of tax, interest and federal revenues. Receivables in proprietary and University Funds occur in the normal course of business.

Interfund receivables consist of transfers between fund types and State departments within State Government. Operating transfers, reimbursements and residual equity transfers are classified in this account.

I. INVENTORIES

Inventories, consisting of materials and supplies, are valued at cost on the first-in, first-out basis for all governmental and most University Funds, except for the Special Revenue - Highway Fund maintenance and construction inventories which are valued on a moving weighted average basis. Inventories of proprietary funds are valued on the moving weighted average basis. Some University book stores utilize the retail inventory method.

Except for the Special Revenue - Highway Fund, the cost of inventory items in governmental funds is recorded as an expenditure when purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The proprietary, University and the Special Revenue - Highway Fund maintenance and construction inventories are recognized when consumed.

J. PROPERTY, PLANT AND EQUIPMENT

Fixed assets of governmental funds are recorded as expenditures at the time of purchase and capitalized in the General Fixed Assets Account Group. For financial reporting purposes, depreciation is not recorded on general fixed assets. Fixed assets of the proprietary funds are capitalized in the fund in which they are utilized and are depreciated either on the straight line basis or on the units of output basis over their useful lives. Fixed assets of universities are capitalized in the University Funds. Depreciation is not provided on these assets.

Fixed assets are stated at historical cost or, in some instances, estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. The State capitalizes all fixed assets which have a value or cost in excess of $500 at the date of acquisition and have an expected useful life of two or more years. Infrastructures, including highways, bridges, highway lands and rights-of-way, are not capitalized.

The depreciation methods and estimated lives used by proprietary funds are:

	Method	Estimated Useful Life
Machinery and Equipment	Straight-Line	3-20 years
Motor Vehicles and Motorized Equipment	Straight-Line or Units of Output	3-10 years
Buildings and Fixed Equipment	Straight Line	20-50 years
Other Structures and Improvements	Straight Line	20-50 years

K. LEASE OBLIGATIONS

Assets acquired under capital leases are generally valued at the present value of the lease payments. Capital leases of governmental funds are reported in the General Long-Term Obligation Account Group and the related assets are reported in the General Fixed Assets Account Group. Capital leases for proprietary funds and University Funds are reported in those funds, along with the related assets.

Statement of Financial Accounting Standards No. 13, issued by the Financial Accounting Standards Board (FASB), establishes requirements for lease obligations. Leases meeting the standards of FASB 13 have been capitalized and are reported as Capital Leases Payable. Other leases are accounted for as Operating Leases and are not recorded on the Balance Sheet. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred. Refer to Note 3 J for specific disclosures on lease obligations.

All leases of the State contain appropriation clauses indicating that continuation of the lease is subject to continued funding by the Legislature. For reporting purposes, leases are fully disclosed since cancellation due to lack of appropriation is deemed unlikely.

L. LONG-TERM LIABILITIES

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Obligation Account Group. Expenditures for principal and interest payments for governmental fund general obligation bonds and revenue bonds are recognized in the Debt Service Fund when paid. Long-term liabilities expected to be financed from the proprietary funds and the University Funds, as well as the related interest payments, are accounted for in those funds.

M. FUND BALANCE RESERVES AND DESIGNATIONS

The State's fund balance reserves represent those portions of fund balance not available for appropriation or legally segregated for a specific future use. Designations of unreserved fund balances indicate the State's tentative plans for use of financial resources in a future period. Refer to Note 3 L for disclosure on reserves and designations.

N. REVENUES

Taxes - Income tax revenues are self-assessed by taxpayers and recognized as revenue by the State when cash is received. However, if taxpayer liability and collectibility can be clearly established, as when tax returns have been filed but collection is delayed, a receivable is recorded; revenue is then accrued if available to pay current-period liabilities, or otherwise deferred until collection is made. Sales taxes collected by merchants but not yet required to be remitted to the State by the end of the fiscal year are not accrued. Sales tax revenues are recognized when cash is received.

Federal Grant Revenues - Federal grants are recorded as receivables and as revenues when the related expenditures are incurred. Grants received before the revenue recognition criteria have been met are reported as deferred revenue.

O. ACCUMULATED UNPAID VACATION AND SICK LEAVE

The expenditure for vacation and sick leave is recorded when the leave is taken in all governmental funds, except Special Revenue - Highway Fund. In the Highway Fund, vacation and sick leave is recorded as it is earned for those employees whose time is chargeable to federal participation projects. All other Highway employees follow the governmental funds' example. The State's liability for accumulated unpaid vacation leave is reported in the accompanying General Long-Term Obligations Account Group for all governmental funds. There is no liability in the accompanying financial statements for unpaid accumulated sick leave because the State has no obligation to pay sick leave upon employee termination or retirement. See Note 3 H for disclosure of the amount of this contingency.

The expense for vacation leave is recorded when the leave is earned in proprietary funds. In University Funds a year-end adjustment is recorded to reflect the current vacation leave expense. The expense for sick leave is recorded when the leave is taken. In the proprietary funds and University Funds, the liability for accumulated unpaid vacation leave is reported as a current liability. For the same reasons as in governmental funds above, no liability for unpaid accumulated sick leave is recorded. Although these funds are proprietary in nature, the ultimate liability for unpaid vacation and sick leave rests with the State as a whole.

P. INTERFUND TRANSACTIONS

During the course of normal operations the State has numerous transactions between and within fund types, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers except for retirement contributions made by the State which are accounted for as revenues in the Pension Trust Funds and expenditures/expenses in the contributing funds. All intrafund transactions included in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances have not been eliminated and interfund receivables/payables included in the Combined Balance Sheet do not reconcile, because an accounting mechanism to assure proper recordation is not in place.

Therefore, contrary to generally accepted accounting principles, operating transfers and interfund receivables/payables are misstated by an amount not readily determinable, and detailed note disclosure of interfund receivables/payables balances is not reported.

Internal Service Funds record charges for services to all State funds as operating revenue. All State funds record these payments to the Internal Service Funds as current expenditures/operating expenses.

Q. TOTALS - MEMORANDUM ONLY

The "Totals - Memorandum Only" column represents an aggregation of the individual combined financial statements. The Totals column is presented for overview informational purposes and does not represent consolidated financial information.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

RETAINED EARNINGS / FUND BALANCE DEFICIT

At the end of fiscal year 1987 the State Health Plan (Internal Service Fund) had a $34.98 million fund balance deficit, which resulted from recording in 1986-87 a $47.41 million liability for all claims incurred but not paid in 1987. This liability was determined by the Plan's actuary. The results of operations in fiscal year 1988 decreased the deficit to $16.98 million at June 30, 1988.

NOTE 3: DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. BUDGETARY BASIS VS. GAAP

The accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - General and Special Revenue Funds (Exhibit A-3) presents comparisons of the legally adopted budget (more fully described in Note 1 E) with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resulting basis, perspective, entity and timing differences in the fund balances (budgetary basis) at June 30, 1988 to the fund balances on a modified accrual basis (GAAP) is presented below (expressed in thousands):

	General Fund	All Special Revenue Funds
Fund Balance (Budgetary Basis), June 30, 1988	$ 392,935	$ 1,274,689
Adjustments:		
Accrued Revenues	372,246	69,374
Accrued Expenditures	(415,982)	(134,594)
Fund Reclassifications	104,857	60,069
Authorized Carryforward of Appropriated Funds	55,277	2,464
Highway Fund Contingent Assets	-	(668,823)
Reserved for Inventories	26,861	5,135
Other Reserves	5,235	46,385
Fund Balance (GAAP Basis), June 30, 1988	$ 541,429	$ 654,699

B. FUND RECLASSIFICATIONS

The accounting and reporting treatment applied to funds is determined by their measurement focus. The following funds have been reclassified in 1988 to reflect their proper measurement focus. "Totals - Memorandum Only" amounts for 1987 have been restated to conform to the 1988 presentation. The fund balances that were reclassified are disclosed in Note 3 C.

	Reclassified	
Fund Title	From	To
State Health Plan	Expendable Trust	Internal Service
N.C. Teachers' and State Employees' Benefit Trust	Expendable Trust	Internal Service
Disability Income Plan of N.C.	Expendable Trust	Internal Service
Public School Insurance Fund	Nonexpendable Trust	Internal Service
State Property Fire Insurance Fund	Nonexpendable Trust	Internal Service
N.C. Agricultural Finance Authority	Expendable Trust	Enterprise

C. FUND EQUITY RESTATEMENT

Fund equity as of July 1, 1987 has been restated for certain accounting changes to conform to generally accepted accounting principles. Adjustments due to prior year accruals resulted from (1) recording fixed assets which existed but were previously unreported in the Enterprise Fund, and (2) correcting errors in recognizing accruals of revenues and expenditures/expenses for the fiscal year ended June 30, 1987.

These changes, along with the fund reclassifications discussed in Note 3 B, have been reported in the accompanying financial statements by restating beginning fund equity (expressed in thousands).

Funds	Balances as Previously Reported at June 30, 1987	Fund Reclassifications	June 30, 1987 Balances after Reclassifications	Prior Year Adjustments-Restatements	Balances as Restated at July 1, 1987
Governmental Funds:					
General	$ 608,358	$ -	$ 608,358	$ 67	$ 608,425
Special Revenue	457,985		457,985	(2,698)	455,287
Debt Service	4,180		4,180		4,180
Capital Projects	182,529		182,529	(250)	182,279
Proprietary Funds:					
Enterprise	260,872	1,061	261,933	(26)	261,907
Internal Service	188,565	69,408	257,973	28	258,001
Fiduciary Funds:					
Expendable Trust	1,392,091	(30,049)	1,362,042	(2)	1,362,040
Nonexpendable Trust	165,106	(40,420)	124,686	(55)	124,631
Pension Trust	11,568,364		11,568,364		11,568,364
University Funds:					
Current	246,772		246,772	(4,782)	241,990
Fiduciary	233,832		233,832	1,494	235,326
Plant	2,148,253		2,148,253	(7,994)	2,140,259

D. CASH IN BANK AND INVESTMENTS

The State maintains a cash and investment pool, under the control of the State Treasurer, that is available for use by all agencies. These funds are pooled into a general account from which investments are made in a variety of instruments. The amounts shown on the combined balance sheet as Cash and Cash Equivalents, Cash and Investments With Fiscal Agents and Investments are the balances as recorded in the State Accounting System. The balances shown in the following sections as Demand and Time Deposits and Investments reflect the manner of investment of available funds in the State's central cash and investment pool, in order to disclose the collateralization and level of risk associated with those funds.

In addition to the cash and investment pool, other funds are directly controlled by the various state departments and institutions and are included in the accounts discussed above.

DEMAND AND TIME DEPOSITS

Deposits may be made in any bank, savings and loan association or trust company in the State approved by the State Treasurer, provided the total balance is either insured or collateralized. Depositories are required, in accordance with the rules in 20 NCAC 7 (North Carolina Administrative Code), to collateralize all balances of the State Treasurer which are not insured. Basically, these rules require that the bank transfer to an escrow account established by the State Treasurer securities of a type enumerated in the rules in an amount whose par value is not less than the amount of the time deposits and the average balance of demand deposits for the preceding quarter less the allowable deposit insurance on the deposits. Generally, rules require the securities to be governmental in origin (e.g. U.S. Treasury and Agency obligations or State and Local obligations) or the highest grade commercial paper and bankers' acceptances. Each bank may elect to collateralize State deposits separately (Option 1) or to include the deposits of North Carolina local government units in the same collateral pool with the State (Option 2). Banks report only quarterly on bank balances and amounts deposited in escrow as collateralization of deposits. The State maintains no records of bank balances of local governments collateralized in the pool with State deposits. Since the market value of the securities pledged as collateral and the amounts of local government deposits in Option 2 banks are not known, the State's risk of being undercollateralized at any given time is increased.

At June 30, 1988 the deposits maintained by the State Treasurer consisted of (expressed in thousands):

	Carrying Value	Bank Balance
Demand	$ 58,490	$ 59,532
Time	439,522	439,522

Eighty-four percent of these bank balances were deposited in Option 2 banks. Because the banks complied with the collateralization policies and procedures described above, the State considers all of its deposits to be either insured or covered by collateral held by the State's agent.

In addition to the State's deposits maintained by the State Treasurer, other deposits are maintained by certain State agencies and institutions. At June 30, 1988 the carrying amount of these deposits was $214.58 million and the bank balance was $230.753 million. Of these balances, $129.153 million was covered by federal depository insurance or by collateral held by the State's agent in the State's name, $39.684 million was covered by collateral held in the pledging bank's trust department in the State's name, and $61.916 million was uninsured and uncollateralized. In addition, the North Carolina Employment Security Commission had $1.269 billion on deposit with the U.S. Treasurer at June 30, 1988.

INVESTMENTS

General Statutes 147-69.1(c) and 147-69.2 authorize the State Treasurer to invest in the following:

1. Obligations of or fully guaranteed by the United States and certain federal agencies;
2. Repurchase agreements;
3. Obligations of the State of North Carolina;
4. Savings certificates issued by specified savings and loan associations;
5. Certificates of deposit issued by specified banks;
6. Shares of or deposits in specified savings and loan associations;
7. Prime quality commercial paper bearing specified ratings;
8. Bills of exchange or time drafts drawn on and accepted by specified commercial banks and eligible for use as collateral by member banks in borrowing from a Federal Reserve Bank;
9. General obligations of other states in the United States;
10. General obligations of cities, counties and special districts in North Carolina;
11. Asset-backed securities (whether considered debt or equity) bearing specific ratings;
12. In addition to the above and with respect to the General Fund and Highway Fund cash balances in excess of the amount required to meet the current needs and demands, limited partnership interests in partnerships which are managed primarily for the purpose of investment in venture capital or corporate buyout transactions;
13. Obligations of any company incorporated in the United States bearing specified ratings;
14. Notes secured by mortgages insured by the Federal Housing Administration or guaranteed by the Veterans Administration on real estate located within the State of North Carolina;
15. With respect to the Retirement Systems' assets, (a) certain insurance contracts, (b) group trusts, (c) individual, common or collective trust funds of banks and trusts companies, (d) certain real estate investment funds, and (e) certain specified preferred or common stocks issued by a company incorporated within the United States.

The State's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the State's name.

Investments maintained in investment pools by the State Treasurer at June 30, 1988 include the following (expressed in thousands):

	Carrying Amount				
	Category			Total Amount	Market Value
	1	2	3		
U.S. Government Securities	$ 6,324,781	$ -	$ -	$ 6,324,781	$ 6,596,276
Corporate Bonds and Notes	6,016,901	-	-	6,016,901	5,752,129
Corporate Common Stock	2,830,047	-	-	2,830,047	3,194,443
Repurchase Agreements	164,135	-	-	164,135	164,135
Commercial Paper	41,941	-	-	41,941	41,941
Bankers' Acceptances	9,943	-	-	9,943	9,943
	$ 15,387,748	$ -	$ -	15,387,748	15,758,867
Investments Not Categorized:					
Certificates of Deposit				439,522	439,522
Mutual Funds				146,894	147,011
Equity Common Trusts				101,948	104,767
Real Estate Trust Funds				158,221	162,692
Total Investments - State Treasurer				$ 16,234,333	$ 16,612,859

Investments maintained by the various agencies and institutions (separate from those maintained by the State Treasurer, listed above) include the following (expressed in thousands):

	Carrying Amount				
	Category			Total	Market
	1	2	3	Amount	Value
U.S. Government Securities	$ 129,911	$ 83,518	$ 20,224	$ 233,653	$ 230,684
State and Municipal Securities	1,701	250	-	1,951	2,000
Corporate Bonds	72,861	3,148	3,573	79,582	78,677
Corporate Common Stock	41,857	13,628	17,878	73,363	165,565
Repurchase Agreements	-	11,840	1,067	12,907	12,907
Commercial Paper	-	-	6,851	6,851	6,851
	$ 246,330	$ 112,384	$ 49,593	408,307	496,684
Investments Not Categorized:					
Certificates of Deposit				17,022	16,976
Mutual Funds				437,255	436,801
Real Estate				3,705	3,705
Limited Partnerships				12,165	13,787
Other Investments				5,207	5,235
Total Investments - Agencies				$ 883,661	$ 973,188

E. RECEIVABLES

Components of the State's receivables at June 30, 1988 are (expressed in thousands):

Funds	Accounts Receivable	Intergovernmental Receivables	Investment Earnings	Contributions and Premiums	Totals
Governmental Funds:					
General	$ 77,698	$ 181,088	$ 12,393	$ -	$ 271,179
Special Revenue	9,501	57,957	4,141	-	71,599
Debt Service	-	-	6	-	6
Capital Projects	115	876	-	-	991
Total Governmental	87,314	239,921	16,540	-	**343,775**
Proprietary Funds:					
Enterprise	46,531	902	2,675	-	50,108
Internal Service	13,366	7,379	830	8,061	29,636
Total Proprietary	59,897	8,281	3,505	8,061	**79,744**
Fiduciary Funds:					
Expendable Trust	10,307	1,062	323	-	11,692
Nonexpendable Trust	-	2,083	1,111	-	3,194
Pension Trust	159	-	454	77,255	77,868
Agency	888	1,846	1,774	1,429	5,937
Total Fiduciary	11,354	4,991	3,662	78,684	**98,691**
University Funds:					
Current	47,712	9,331	4,231	-	61,274
Fiduciary	252	74	605	-	931
Plant	97	15	2,299	-	2,411
Total University	48,061	9,420	7,135	-	**64,616**
Total Receivables	$ 206,626	$ 262,613	$ 30,842	$ 86,745	$ 586,826

F. CHANGES IN GENERAL FIXED ASSETS

A statement of changes in General Fixed Assets for the year ended June 30, 1988 is (expressed in thousands):

	Balance July 1, 1987	Prior Year Asset Adjustments	Additions	Deletions	Transfers	Balance June 30, 1988
Land and Improvements	$ 95,172	$ 39,229	$ $13,957	$ 12,968	$ -	$ 135,390
Buildings and Fixed Equipment	648,058	22,839	18,621	14,856	21,275	695,937
Machinery and Equipment	281,400	1,286	44,821	9,846		317,661
Motor Vehicles and Motorized Equipment	61,712	(9)	17,644	9,685	-	69,662
Art Works and Literature	26,593	1,962	272	43	-	28,784
Construction in Progress	67,873	-	67,941	4,455	(21,275)	110,084
Total General Fixed Assets	$ 1,180,808	$ 65,307	$ 163,256	$ 51,853	$ -	$ 1,357,518

Some State agencies do not have adequate fixed asset systems to allow them to accurately report their general fixed assets and changes in their general fixed assets. The amounts of the misstatements for the above items cannot be readily determined.

G. SUMMARY OF PROPRIETARY FUNDS' AND UNIVERSITY FUNDS' FIXED ASSETS

A summary of Proprietary Funds' and University Funds' fixed assets at June 30, 1988 is (expressed in thousands):

	Proprietary Funds		University Funds	
	Enterprise	Internal Service	Fiduciary	Plant
Land and Improvements	$ 22,576	$ 3,185	$ 10,472	$ 54,178
Buildings and Fixed Equipment	108,691	17,983	341	1,175,298
Other Structures and Improvements	37,674	3,479	-	60,609
Machinery and Equipment	106,667	40,734	37	497,991
Motor Vehicles and Motorized Equipment	219	231,869	-	-
Art Works, Literature and Artifacts	-	-	37	313,979
Construction in Progress	12,334	5,612	-	187,038
Total Fixed Assets (Gross)	288,161	302,862	10,887	2,289,093
Accumulated Depreciation	110,276	156,722	-	-
Total Fixed Assets (Net)	$ 177,885	$ 146,140	$ 10,887	$ 2,289,093

H. ACCUMULATED UNPAID VACATION AND SICK LEAVE

Employees earn vacation leave ranging from 0.98 to 2.15 days per month depending upon years of service. There is no requirement that vacation leave be taken, but the maximum permissible accumulation is 30 days. At termination, employees are paid for any accumulated vacation leave. Employees earn sick leave at the rate of one day per month with an unlimited accumulation. Employees are not paid for accumulated sick leave upon termination; however, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement. The contingent liability for accumulated sick leave has not been recorded in the accounts of the various funds. See Note 1 O.

The liability for accumulated unpaid vacation leave and the contingent liability for accumulated unpaid sick leave at June 30, 1988 are (expressed in thousands):

	Enterprise	Internal Service	University	General Long-Term Obligations	All Funds
Vacation Leave Liability:					
Prior Years	$ 5,421	$ -	$ 31,248	$ 88,997	$ 125,666
1988 Additions	740	646	13,691	4,669	19,746
Total Vacation Leave Liability	$ 6,161	$ 646	$ 44,939	$ 93,666	$ 145,412
Sick Leave Contingent Liability:					
All Years	$ 9,905	$ 3,739	$ 132,232	$ 291,428	$ 437,304

I. CONSTRUCTION COMMITMENTS

At June 30, 1988, the State had commitments of approximately $379 million for construction of highway facilities. Future expenditures related to these commitments are expected to be financed from $270 million of Federal aid, $2 million from bond proceeds, $.3 million from county governments, and $106.7 million from motor fuel taxes. Other commitments of the State include $64.0 million for construction and improvements of State government facilities and $141.7 million for construction contracts at universities. Future expenditures related to the State government facilities are expected to be financed from $1.6 million in Federal aid, $9 million in revenues generated from various government services, $1.6 million in donations and $51.7 million in State appropriations. Future expenditures related to the universities' commitments are expected to be financed from $22.5 million in bond proceeds, $2.8 million in donations, $.4 million in Federal aid, $16 million from university revenues and $100 million in State appropriations.

J. LEASE OBLIGATIONS

The State has entered into various operating and capital leases for office space and office, communications, computer and other equipment.

Future minimum lease commitments for noncancelable operating leases and capital leases as of June 30, 1988 are (expressed in thousands):

		Capital Leases				
Fiscal Year	Operating Leases	Long-Term Obligation Account Group	Enterprise Funds	Internal Service Funds	University Funds	Total
1989	$ 8,624	$ 666	$ 6	$ 5,481	$ 4,180	$ 10,333
1990	5,163	432	1	3,532	3,349	7,314
1991	3,115	353	-	1,054	2,460	3,867
1992	1,652	281	-	-	446	727
1993	1,192	210	-	-	18	228
Thereafter	871	40	-	-	6	46
Total Future Minimum Lease Payments	$ 20,617	1,982	7	10,067	10,459	22,515
Less: Amounts Representing Interest		287	1	678	1,103	2,069
Present Value of Future Minimum Lease Payments		$ 1,695	$ 6	$ 9,389	$ 9,356	$ 20,446

K. LONG-TERM OBLIGATIONS

Long-Term Obligations at June 30, 1988 and changes in those obligations are (expressed in thousands):

General Long-Term Obligations Account Group	Balance July 1, 1987	Increases	Decreases	Balance June 30, 1988
Accounts Payable	$ 12,610	$ 1,348	$ 2,168	$ 11,790
Capital Leases Payable	1,077	1,469	851	1,695
Accrued Vacation Leave	88,997	4,669	-	93,666
Revenue Bonds:				
Horse and Livestock Facility	1,264	-	134	1,130
Alcoholic Beverage Control Commission	3,900	-	550	3,350
Total Revenue Bonds	5,164	-	684	4,480
Serial Bonds:				
Capital Improvement, 12-1-71	14,000	-	4,000	10,000
Public School Facility, Series A, 12-1-74	25,000	-	3,000	22,000
Clean Water, Series A, 12-1-74	13,500	-	1,500	12,000
Public School Facility, Series C, 6-1-76	35,000	-	4,000	31,000
Clean Water, Series C, 6-1-76	17,000	-	2,000	15,000
Public Improvement, 12-1-76	48,000	-	5,000	43,000
Public Improvement, 6-1-77	34,000	-	4,000	30,000
Public Improvement, 11-1-78	37,000	-	2,000	35,000
Public Improvement, Series 1979, 11-1-79	46,000	-	3,000	43,000
Public Improvement Refunding Series 1986, 7-1-86	210,000	-	13,090	196,910
Clean Water, Series 1987, 6-1-87	46,000	-	2,500	43,500
Total General Fund Serial Bonds	525,500	-	44,090	481,410
Highway Refunding Series 1986, 7-1-86	250,000	-	23,250	226,750
Total Highway Serial Bonds	250,000	-	23,250	226,750
Total Serial Bonds	775,500	-	67,340	708,160
Total General Long-term Obligations	$ 883,348	$ 7,486	$ 71,043	$ 819,791

Long-Term Obligations of other funds at June 30, 1988 are (expressed in thousands):

Long-Term Obligations Other Funds	Enterprise Funds	Internal Service Funds	Non-expendable Trust Funds	University Funds
Revenue Bonds Payable (net of discount)	$ 752,102	$ 1,350	$ -	$ 243,494
Capital Leases Payable	1	4,389	-	9,356
Other Obligations:				
Notes Payable	589	-	-	38,203
Claims Payable	5,534	-	-	-
Obligations for Worker's Compensation	61	-	-	-
Deposits Payable	240	-	-	-
Total Long-Term Obligations - Other Funds	$ 758,527	$ 5,739	$ -	$ 291,053

The full faith, credit, and taxing power of the State has been pledged only for the payment of the principal of and the interest on the General Obligation Serial Bonds. Other long-term debts of the State are payable solely from certain resources of the funds to which they relate.

This schedule shows the annual debt service requirements to pay principal and interest on the General Obligation Bonds and Revenue Bonds of the various fund types outstanding at June 30, 1988 (expressed in thousands). Current and long-term principal requirements are disclosed for the proprietary fund types.

	Annual Requirements			
Fiscal Year	General Obligation	Enterprise	Internal Service	University Revenue
1989	$ 109,937	$ 78,687	$ 160	$ 20,668
1990	108,645	80,844	161	21,122
1991	104,957	80,430	161	21,040
1992	103,303	80,221	166	20,986
1993	99,896	79,962	165	27,914
1994-1998	348,772	402,145	1,009	110,251
1999-2003	62,324	315,846	337	101,833
2004-2008	-	384,302	- -	85,488
2009-2013	-	254,933	-	49,142
2014-2018	-	529,714	-	886
2019-2023	-	92,726	-	259
2024-2028	-	703,909	-	-
2029-2033	-	30,190	-	-
Total Requirements	937,834	3,113,909	2,159	459,589
Less: Unamortized Discount	-	(12,682)	-	(1,743)
Interest Requirements	(225,194)	(2,331,411)	(744)	(214,352)
Total Principal Requirements	$ 712,640	$ 769,816	$ 1,415	$ 243,494
Current portion		17,714	65	
Long-term portion		752,102	1,350	

The N.C Housing Finance Agency comprises the major portion of the Enterprise Fund annual requirements listed in the schedule above. The following schedule discloses the annual debt service requirements of the N.C. Housing Finance Agency only (in thousands).

Fiscal Year	Principal	Interest	Total
1989	$ 17,125	$ 60,643	$ 77,768
1990	18,835	61,085	79,920
1991	19,795	59,706	79,501
1992	21,080	58,203	79,283
1993	22,460	56,564	79,024
1994-1998	119,457	279,217	398,674
1999-2003	55,821	256,861	312,682
2004-2008	180,102	203,168	383,270
2009-2013	98,047	156,886	254,933
2014-2018	102,599	427,115	529,714
2019-2023	32,753	59,973	92,726
2024-2028	84,014	619,895	703,909
2029-2033	1,077	29,113	30,190
Total Requirements	$ 773,165	$ 2,328,429	3,101,594
Less: Unamortized Discount			(12,682)
Interest Requirements			(2,328,429)
Total Principal Requirements			$ 760,483

Bond Defeasance

On July 8, 1986, the State of North Carolina issued $210 million in Public Improvement Advance Refunding Bonds and $250 million in Highway Fund Advance Refunding Bonds for the purpose of refunding certain bonds (listed below) issued in previous years. Proceeds are held by escrow agents in a sum sufficient to retire the refunded bonds. As a result the refunded bonds were considered to be defeased in the year ended June 30, 1987 and the liability for those bonds was removed from the General Long-Term Obligations Account Group in that year.

The following schedule shows the activity of the defeased bonds for the past year (expressed in thousands).

	Balance June 30, 1987	Obligations Matured	Balance June 30, 1988
Public School Facility, Series B, 12-1-75	$ 60,000	$ 6,000	$ 54,000
Clean Water, Series B, 12-1-75	10,000	1,000	9,000
Clean Water, Series C, 7-1-81	34,000	1,000	33,000
Clean Water, Series D, 5-1-82	17,000	1,000	16,000
Clean Water, Series 1983, 5-1-83	78,000	3,000	75,000
Highway, 8-1-67	2,000	2,000	-
Highway, 5-1-78	40,000	3,500	36,500
Highway, 7-1-79	41,000	3,500	37,500
Highway, 12-1-80	45,000	3,500	41,500
Highway, 7-1-81	40,000	2,500	37,500
Highway, 5-1-82	67,000	5,000	62,000
Total	$ 434,000	$ 32,000	$ 402,000

L. RESERVED FUND BALANCES

The State's Reserved Fund Balances at June 30, 1988 are (expressed in thousands):

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Totals
Fund Balances Reserved for:				
Inventory of Supplies	$ 26,861	$ 5,135	$ -	$ 31,996
Clean Water Projects	27,724	-	-	27,724
Energy Conservation	55,271	-	-	55,271
War Memorial	431	-	-	431
Marine Center Stores	47	-	-	47
Library Construction	14	-	-	14
Investments	5,235	-	-	5,235
Vacation and Sick Leave	-	39,953	-	39,953
Debt Service	-	-	2,965	2,965
Building Renovation	-	5,603	-	5,603
Future Claims	-	563	-	563
Other Reserves	2,344	4,261	-	6,605
Total Fund Balances Reserved	$ 117,927	$ 55,515	$ 2,965	$ 176,407

	Fiduciary Funds			
	Expendable Trust	Nonexpendable Trust	Pension Trust	Totals
Fund Balances Reserved for:				
Inventory of Supplies	$ 718	$ -	$ -	$ 718
Claims and Benefits	1,506,156	-	-	1,506,156
Retirement Systems	-	-	13,305,712	13,305,712
Loan Programs	41,007	127,990	-	168,997
Refunds	7,784	-	-	7,784
Other Reserves	12,995	15,220	-	28,215
Total Fund Balances Reserved	$ 1,568,660	$ 143,210	$ 13,305,712	$ 15,017,582

	University Funds			
	Current	Fiduciary	Plant	Totals
Fund Balances Reserved for:				
Loans	$ -	$ 72,215	$	$ 72,215
Endowments	-	192,319	-	192,319
Revenue Bond Retirement	-	-	15,863	15,863
Restricted Funds	78,228	-	-	78,228
Other Reserves	-	-	9,440	9,440
Total Fund Balances Reserved	$ 78,228	$ 264,534	$ 25,303	$ 368,065

M. SELF-INSURANCE

The State self-insures for these types of risk:

1. *Fire and other property losses* are paid from the State Property Fire Insurance Fund (Internal Service Fund) which is financed by rates charged to the participating funds of the State. Private insurance companies provide reinsurance coverage so that the fund may sustain only aggregate uninsured extended coverage losses of no more than $2 million in any one policy year and aggregate uninsured fire and other property losses of no more than $5 million in any one policy year.

2. *Hospital and medical care benefits* are provided to the State's full-time employees and retirees by the Teachers' and State Employees' Comprehensive Major Medical Plan (Internal Service Fund). The program is funded through employer and employee contributions. A board of trustees appointed by the Governor, the Lieutenant Governor and Speaker of the House provides advisory assistance on policy issues to the Executive Administrator, who is appointed by the Commissioner of Insurance after conferring with the Legislative Committee. Benefits are prescribed by law (G.S. 135-40) and the program is administered and overseen by the Executive Administrator. Claims are handled by an independent claims contractor for the self-insured plan. Optional (HMO) plans have also been made available to Plan beneficiaries by independent HMO contractors.

3. *Group life insurance benefits* are provided to the State's teachers and employees who are members of the Teachers' and State Employees' Retirement System by the North Carolina Teachers' and State Employees' Benefit Trust (Internal Service Fund). The program is funded through employer contributions based on a percentage of their payrolls as determined by an actuary on a one-year term cost basis. For fiscal year 1987-88 the State contributed $10.0 million to the Benefit Trust for group life insurance benefits.

4. *Medical malpractice protection* is provided by the University of North Carolina (UNC) Self-Insurance Fund (University-Fiduciary Fund) for participants and individual health care practitioners working as employees, agents or officers of North Carolina Memorial Hospital and the UNC Medical Faculty Practice Plan. The program is funded through participant contributions, and is administered by the Liability Insurance Trust Fund Council which is appointed by the UNC Board of Governors. Excess liability insurance coverage of up to $25 million has been purchased from private insurance companies. This coverage provides payments whenever losses attributable to a single occurrence are greater than $2 million or whenever payments during a single occurrence year exceed $10 million. This excess coverage was cancelled on a prospective basis effective July 14, 1987.

5. For *workers' compensation and unemployment compensation claims*, the State is generally self-insured and funds such liabilities on a pay-as-you-go basis.

N. RESIDUAL EQUITY TRANSFERS

During the 1987-88 fiscal year the residual equity transfers were (expressed in thousands):

Transfer From		Transfer To			
Fund	Fund Type	Fund	Fund Type	Amount	Reason
Public Education	Expendable Trust	General Fund	General Fund	$ 9,000	Statutory transfer of Unemployment Reserve funds
Highway Bonds	Debt Service	Highway Fund	Special Revenue	$ 1,620	Transfer of fund balance to Highway Fund
Student Loan Program	Nonexpendable Trust	Student Loan Revolv. Fund	University Funds	$ 4,131	Statutory transfer of Student Loan Program to Universities
Broughton Hospital	Expendable Trust	Broughton Hospital	Special Revenue	$ 8	Transfer of vending machine operations

NOTE 4: PENSION PLANS

The State administers six defined benefit public employee retirement systems (PERS) which are included in the State's financial statements as pension trust funds. Administration of disability benefits, which was a part of the Teachers' and State Employees' Retirement System through December 31, 1987, was transferred to the separate Disability Income Plan of N.C. on January 1, 1988.

A. DESCRIPTION OF PLANS

1. TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

This plan is a cost-sharing multiple-employer public employee retirement system (PERS) established and administered by the State of North Carolina to provide pension benefits for employees of the State and local governments. Membership is comprised of employees of State agencies and institutions, including teachers and employees of the local boards of education, university and community college faculty and employees, and state-employed law enforcement officers. At December 31, 1987, the number of participating local government employers was 212, as shown below:

Local Boards of Education	142
Community Colleges	58
Miscellaneous Units	12

The plan provides retirement and disability benefits. After five years of creditable service, employees qualify for a vested deferred benefit. Employees who retire on or after age 65 and complete 5 years of membership service (age 55 and 5 years of creditable service for law enforcement officers), reach age 60 with 25 years of membership service, or complete 30 years of creditable service receive a retirement allowance of 1.58% of an average final compensation based on the 4 consecutive years that produce the highest average multiplied by the number of years of creditable service. Employees may retire with reduced retirement benefits if they reach age 50 with 20 years of creditable service or reach age 60 with 5 years of creditable service (age 50 with 15 years creditable service for law enforcement officers). The system is funded by a member contribution of 6% of compensation and by an employer contribution of 10.03% of covered payroll at December 31, 1987, in addition to investment income. Benefit and contribution provisions are established by G.S.135-5 and 135-8 and may be amended only by the North Carolina General Assembly.

2. *CONSOLIDATED JUDICIAL RETIREMENT SYSTEM*

This plan is a single-employer public employee retirement system (PERS) established and administered by the State of North Carolina to provide pension benefits for employees of the State Judicial System. Membership is comprised of judges, district attorneys and clerks of court. The system was created on January 1, 1985, by the merger of the former Uniform Judicial Retirement System, Uniform Solicitorial Retirement System, and the Uniform Clerks of Court Retirement System.

The plan provides retirement, disability and death benefits. Members who retire on or after age 65 and have completed 5 or more years of creditable service or have completed 24 years of creditable service regardless of age receive a retirement allowance of the rate specified below of final compensation multiplied by the number of years of creditable service (to a maximum of 75% of the member's final compensation). The rates for this computation are:

4.0% - Justice of the Supreme Court; Judge of the Court of Appeals
3.5% - Judge of the Superior Court; Administrative Officer of the Courts
3.0% - Judge of the District Court; District Attorney; Clerk of the Superior Court

Members may retire with reduced benefits after they reach age 50 and have 5 or more years of creditable service. The system is funded by a member contribution of 6% of compensation and an employer contribution of 29.71% of covered payroll at December 31, 1987, in addition to investment income. Benefit and contribution provisions are established by G.S. 135-57, 135-58, 135-68 and 135-69 and may be amended only by the North Carolina General Assembly.

3. *LEGISLATIVE RETIREMENT SYSTEM*

This plan is a single-employer public employee retirement system (PERS) established and administered by the State of North Carolina to provide pension benefits for members of the General Assembly. The system came into existence on February 6, 1985.

This plan provides retirement and disability benefits. Members who have attained 65 years of age and have five or more years of creditable service or who have 25 or more years of creditable service receive a retirement allowance of 4% of highest compensation multiplied by the number of years of creditable service (to a maximum of 75% of the member's highest compensation). Members may retire with reduced benefits at age 60 with 5 or more years of creditable service. The benefit will not be payable while the member is employed in a position making him eligible to participate in either the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System or the Local Governmental Employees' Retirement System. The system is funded by a member contribution of 7% of compensation and an employer contribution of 35.76% of covered payroll at December 31, 1987, in addition to investment income. Benefit and contribution provisions are established by G.S. 120-4.21, 120-4.19 and 120-4.20 and may be amended only by the North Carolina General Assembly.

4. *OTHER STATE ADMINISTERED SYSTEMS*

The State also administers pension and retirement systems for persons who are not considered employees of the State.

FIREMEN AND RESCUE SQUAD WORKERS' PENSION FUND

This plan is a cost-sharing multiple-employer public employee retirement system (PERS) established and administered by the State of North Carolina to provide pension benefits for employees of local governments and special districts. Membership is comprised of both volunteer and locally employed firemen and emergency medical personnel who elect membership. The State is a nonemployer contributor to the plan.

The plan provides retirement benefits. Members who retire on or after age 55 and have credit for 20 years of service as a fireman or rescue squad worker and have paid the maximum $1,200 in contributions receive $100 a month. The plan is funded by a $5 monthly contribution by the member, investment income and a state appropriation. Benefit and contribution provisions are established by G.S. 118-18 and may be amended only by the North Carolina General Assembly.

NATIONAL GUARD PENSION FUND

This plan is a single-employer public employee retirement system (PERS) established and administered by the State of North Carolina to provide pension benefits for members of the North Carolina National Guard. Membership is established at age 60 for former members of the North Carolina National Guard who have 20 or more years active duty with the National Guard. The State is a nonemployer contributor to the plan.

Benefits are $50 per month for the first 20 years of service and $5 per month for each additional year of service to a maximum of $100 per month. The plan is funded by state appropriation and investment income. Benefit and contribution provisions are established by G.S. 127(a)-40 and may be amended only by the North Carolina General Assembly.

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

This plan is an agent multiple-employer public employee retirement system (PERS) established and administered by the State of North Carolina for employees of local governments. Membership is comprised of general employees and local law enforcement officers of participating local governmental entities. At December 31, 1987, the number of participating local governments was 669, as shown below:

Cities	291
Counties	99
Special Districts	279

The plan provides retirement and disability benefits identical to the benefits that accrue to members of the Teachers' and State Employees' Retirement System (vesting and eligibility requirements are also the same). The system is funded by employee contributions of 6% and employer contributions at varying rates by the participating local governments. The State's responsibility is administrative only. Benefit and contribution provisions are established by G.S. 128-27 and 128-30 and may be amended only by the North Carolina General Assembly.

The following table summarizes membership information by plan at the actuarial valuation date (dollar amounts expressed in thousands):

	Teachers, State Employees	*Judicial*	*Legislative*	*Firemen, Rescue*	*National Guard*	*Local Government*
Employee Groups:						
Current Members	256,064	404	201	20,613	7,620	85,140
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	61,219	241	47	4,263	1,701	14,542
Employer:						
Covered Payroll	$4,221,927	$20,762	$1,680	N/A	N/A	$1,280,303
Date of Valuation	12-31-87	12-31-87	12-31-87	6-30-87	12-31-85	12-31-87

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

BASIS OF ACCOUNTING

The public employee retirement systems described above are considered part of the State of North Carolina reporting entity and are included in the State's financial reports as pension trust funds. The financial statements of these systems are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

METHOD USED TO VALUE INVESTMENTS

Equity securities in these systems are reported at cost subject to adjustment for market declines judged to be other than temporary. Fixed-income securities are reported at amortized cost with discounts or premiums amortized using the scientific method, subject to adjustment for market declines judged to be other than temporary. Investment income is recognized as earned. Gains and losses on exchanges of fixed-income securities are deferred and amortized over the terms of the reinvested securities. Gains or losses on other investments are recognized when they occur. During the fiscal year, there were no securities of the employers or related parties included in the assets of the pension trust funds.

The investments for the retirement systems are in pools (Long-Term Investment Pool, Equity Investment Pool and Real Estate Investment Pool) managed by the State Treasurer. The Long-Term Investment Pool invests in long-term debt securities, the Equity Investment Pool invests in stock and the Real Estate Investment Pool invests in real estate trusts administered by third party professionals. The schedule below shows the amounts invested by the retirement systems in each pool and the approximate market value of those investments as of December 31, 1987 (expressed in thousands).

System	Long-Term Investment Pool	Equity Investment Pool	Real Estate Investment Pool	Total Invested	Approximate Market Value
Teachers' and State Employees'	$ 7,426,518	$ 2,551,873	$142,321	$ 10,120,712	$ 10,225,226
Consolidated Judicial	51,037	16,504	851	68,392	68,670
Legislative	2,097	413	14	2,524	2,486
Firemen and Rescue Squad Workers'	42,984	12,947	755	56,686	57,144
North Carolina National Guard	4,298	741	22	5,061	4,997
Local Government Employees'	1,648,293	527,628	30,698	2,206,619	2,226,187
Total Investments	$ 9,175,227	$ 3,110,106	$ 174,661	$ 12,459,994	$ 12,584,710
Approximate Market Value	$ 9,150,678	$ 3,254,993	$ 179,039	$ 12,584,710	

C. FUNDING STATUS AND PROGRESS

The amount shown below in each retirement system as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the **actuarial present value of credited projected benefits** and is intended to help users assess Statewide PERS funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS. The actuarial present value of credited projected benefits measure is independent of and not directly related to the actuarial funding methods used to determine actual contributions to the systems.

The pension benefit obligation of each retirement system was determined as part of an independent actuarial valuation. The significant methods, assumptions, and results of the latest actuarial valuations, which are presented in the following schedules, were adjusted by the actuary to reflect changes which occurred between systems during the year. Dollar amounts are expressed in thousands.

	Teachers, State Employees	*Judicial*	*Legislative*	*Firemen, Rescue*	*National Guard*	*Local Government*
Actuarial Assumptions						
Membership:						
Current	256,064	404	201	20,613	7,620	85,140
Retired	61,219	241	47	4,263	1,701	14,542
Date of Valuation	12-31-87	12-31-87	12-31-87	6-30-87	12-31-85	12-31-87
Rate of Return on Investment of Assets	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Projected Salary Increase	Average of 7.5%	Average of 7.5%	Average of 7.5%	N/A	N/A	Average of 7.5%
Postretirement Benefit Increases	4.0%	4.0%	12.0%	N/A	N/A	4.0%
Pension Benefit Obligations:						
Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Not Yet Receiving Benefits	$ 3,892,172	$ 37,413	(*)	$ 40,908	(*)	$ 701,349
Current Members:						
Accumulated Employee Contributions	2,246,178	9,687	(*)	9,744	N/A	549,579
Employer-Financed:						
Vested	1,258,669	16,469	(*)	12,519	N/A	248,619
Nonvested	3,081,215	26,545	(*)	11,477	(*)	591,420
Total Pension Benefit Obligation	**10,478,234**	**90,114**		**74,648**		**2,090,967**
Net Assets Available For Benefits, At Cost	10,199,107	69,587	(*)	51,673	(*)	2,225,723
Unfunded (Assets in Excess of) Pension Benefit Obligation	**$ 279,127**	**$ 20,527**		**$ 22,975**		**$(134,756)**
Market Value of Net Assets Available For Benefits (at valuation date)	$ 10,303,621	$ 69,865	(*)	$ 57,516	(*)	$ 2,245,291

(*) - Information not available

D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The funding policy of these public employee retirement systems provides for periodic employer and non-employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The actuarially-determined contribution rates below represent minimum future funding requirements as of the valuation date. The actual contributions made and related percentages were based on prior actuarial valuations.

Except for the Legislative and National Guard Systems (where pension obligation information was unavailable), significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligations discussed in Paragraph C. The following schedule summarizes the results of those valuations, as of the valuation date for each plan. Dollar amounts are expressed in thousands.

	Teachers, State Employees	*Judicial*	*Legislative*	*Firemen, Rescue*	*National Guard*	*Local Government*
Recommended Employer Contribution Rates:						
Normal	5.25%	15.87%	15.23%	$ 1,850	$ 291	4.63% and/or 5.10%
Unfunded Pension Benefit Obligation/Accrued Liability	4.78%	13.28%	20.53%	$ 3,052	$1,508	0% to 27.78%
Death Benefit	N/A	.56%	N/A	N/A	N/A	N/A
Total	10.03%	29.71%	35.76%	$ 4,902	$1,799	4.63% to 37.51%
Unfunded Pension Benefit Obligation/Accrued Liability Liquidation Period (years)	14	17	6	18	19	0 to 24
Valuation Method (*)	1	4	5	3	3	2
Actual Contributions Made						
By Employers	$ 435,561	$ 6,205	$ 591	$ 4,185	$ 1,718	$ 94,981
Percentages of covered payroll	10.32%	29.89%	35.18%	N/A	N/A	7.42%
By Employees	$ 266,435	$ 1,398	$ 129	$ 6,232	$ 0	$ 84,200
Percentages of covered payroll	6.31%	6.73%	7.68%	N/A	N/A	6.58%

(*) Legend of Valuation Methods:

(1) Projected benefit method with aggregate level normal cost and open-end accrued liability. Gains and losses are reflected in the accrued liability.

(2) Projected benefit method with aggregate level normal cost and frozen accrued liability. Gains and losses are reflected in the normal rate.

(3) Projected benefit method with level average entry age normal cost and open-end accrued liability. Gains and losses are reflected in the unfunded accrued liability.

(4) The liabilities are based on the projected benefit method; however, the contribution rates were determined on the basis of the accrued benefit method with projection. One year term cost for lump sum death benefits.

(5) Projected unit credit cost method with unfunded accrued liability.

E. TREND INFORMATION

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. GASB Statement No. 5 requires three-year trend information using the standardized measure of the pension obligation but allows presentation of only those years for which that measure is available. The State will comply with the full three-year disclosure in fiscal year 1989-90. Public employee retirement systems must also present ten-year trend data on specified fund information. This information is disclosed in the Required Supplemental Information section following these General Purpose Financial Statements.

In accordance with GASB Statement No. 5, employers contributing to public employee retirement systems must present the following trend information:

> *Net assets available for benefits*, expressed as percentages of the pension benefit obligation applicable to the entities' employees. Analysis of this percentage over time indicates whether the retirement system is becoming financially stronger or weaker.
>
> *Unfunded pension benefit obligation*, expressed as percentages of annual covered payroll. Showing unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes.
>
> *Employer contributions* expressed as percentages of annual covered payroll. For the State sponsored plans included in this report, these contributions were made in accordance with actuarially determined requirements.

The following table presents the required information described above.

	Calendar Year	Net Assets Available For Benefits As A Percentage of Pension Obligation	Unfunded (Assets in Excess of) Pension Benefit Obligation As A Percentage of Covered Payroll	Employer Contributions As A Percentage of Covered Payroll
System:				
Teachers' and State Employees'	1987	97.34%	6.61%	10.32%
Consolidated Judicial	1987	77.22%	98.87%	29.89%
Legislative	1987	[1]	[1]	35.18%
Firemen, Rescue [2]	1987	69.22%	N/A	N/A
National Guard	1985	[1]	N/A	N/A
Local Government	1987	106.44%	(10.52%)	7.42%

[1] - Information not available
[2] - Fiscal year ended June 30

F. OPTIONAL RETIREMENT PLAN

The Optional Retirement Program (Program) is a defined contribution retirement plan which provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators and eligible faculty in State universities may join the Program instead of the Teachers' and State Employees' Retirement System.

The Program is administered by the privately-operated Teachers' Insurance and Annuity Association and the College Retirement Equities Fund (TIAA/CREF). Participants' eligibility and contributory requirements are established in G.S. 135-5.1. Participants contribute 6% of their salary which is then matched by the university. The State assumes no liability other than the universities' contributions. The State contributed $14,254,019 for the 1987-88 fiscal year.

Participants are vested after five years of service, but the administrator must return the value of the participant's and State's contributions to both the participant and the State if termination occurs prior to five years of service. The participant chooses his/her investment in the TIAA or the CREF or both. The TIAA invests primarily in bonds and mortgages and provides a fixed retirement income, while the CREF invests in diversified common stock with the basis of the retirement income fluctuating with market values.

G. DEFERRED COMPENSATION AND SUPPLEMENTAL RETIREMENT INCOME PLANS

IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation for service, death, disability, retirement or due to financial hardships if approved by the Board of Trustees of the Plan. The benefits distributed to employees are exempt from all state and local taxes in North Carolina. All costs of administering and funding the plan are the responsibility of the Plan. No costs are to be incurred by the State of North Carolina. All amounts ($128.2 million at December 31, 1987 - audited), property and rights derived from deferred compensation and income earned on the deferred compensation are, until paid or made available to the employee or other beneficiary, solely the property and rights of the State of North Carolina, subject only to the claims of the State's general creditors. The State believes that it is very unlikely that it will use these assets to satisfy the claims of general creditors in the future.

IRC Section 401(K) Plan - Effective January 1, 1985 Chapter 135, Article 5 of the North Carolina General Statutes authorized the creation of the Supplemental Retirement Income Plan of North Carolina in accordance with Internal Revenue Code Section 401(K). All members of the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, Legislative Retirement System, Local Governmental Employees' Retirement System and University Optional Retirement Program are eligible to elect to enroll in this plan. Members of the plan may receive their benefits upon retirement, disability, termination, hardship, or death. All costs of administering the plan are the responsibility of the plan participants. As of June 30, 1988, the plan administrator has reported assets on hand of $131.4 million (unaudited).

NOTE 5: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Segment information for the State's Enterprise Funds for the year ended June 30, 1988 is (expressed in thousands):

	N. C. Memorial Hospital	N.C. State Fair	Battle-ship Comm.	Housing Finance Agency	State Ports Authority	Ports Railway Comm.	Agricultural Finance Authority	Other Funds	Total
Operating Revenues	$ 161,403	$ 5,235	$ 1,573	$ 98,327	$ 23,391	$ 252	$ 98	$ 465	$ 290,744
Depreciation/Amortization	9,900	431	132	1,699	3,800	70	-	57	16,089
Operating Income (Loss)	(21,925)	360	247	8,968	(321)	(1)	(187)	(12)	(12,871)
Operating Transfers:									
In	27,350	-	-	20,074	-	-	163	-	47,587
Out	-	(561)	-	-	-	-	-	(2)	(563)
Net Income (Loss)	**5,247**	**(238)**	**244**	**27,633**	**(120)**	**29**	**(24)**	**(14)**	**32,757**
Additions to									
Donated Capital	-	-	-	-	19,900	-	-	-	19,900
Fixed Assets:									
Additions	9,091	49	141	-	19,551	2	-	-	28,834
Deletions	2,356	277	-	-	4,490	13	-	2	7,138
Net Working Capital	38,809	293	1,392	(5,754)	20,279	632	1,037	242	56,930
Total Assets	**152,750**	**10,221**	**3,444**	**867,261**	**105,870**	**1,248**	**1,047**	**1,270**	**1,143,111**
Bonds and Other Long-									
Term Obligations	5,534	1	624	743,358	8,710	300	-	-	758,527
Total Equity	**126,290**	**9,127**	**2,689**	**79,178**	**94,109**	**894**	**1,037**	**1,240**	**314,564**

NOTE 6: COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

As discussed in Note 3 M, the State is self-insured for workers' compensation and unemployment compensation claims and for property losses up to $2,000,000 in any one fiscal year.

B. NO COMMITMENT DEBT

The State, by action of the General Assembly, created the North Carolina Medical Care Commission which is authorized to provide for the issuance of bonds for purposes of providing nonstate hospitals, medical centers and related facilities with a low cost source of financing capital construction. The bonds are not an indebtedness of the State, and, accordingly, are not reflected in the accompanying financial statements. The indebtedness of the entity served by the bond is secured by the property financed and is serviced and administered by a trustee independent of the State. Maturing serially to calendar year 2019, outstanding bond principal as of June 30, 1988, was $939,884,749 at interest rates varying from 4.4 to 14.0 percent.

C. LITIGATION

The State is involved in numerous claims and legal proceedings, many of which normally recur in governmental operations. A review of the status of outstanding lawsuits involving the State by the North Carolina Attorney General did not disclose any proceedings that are expected to have a material adverse effect on the financial position of the State.

D. FEDERAL GRANTS

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies, although it is believed that disallowances, if any, will be immaterial.

E. HIGHWAY CONSTRUCTION

The State may be liable for approximately $2.4 million to contractors for highway construction claims that the State has contested.

F. FOOD STAMP COUPONS

The State has custodial responsibility for $70 million of U.S. Department of Agriculture food stamp coupons for which the State is liable in the event of loss.

G. USDA-DONATED COMMODITIES

The State has custodial responsibility for $5 million of U.S. Department of Agriculture donated food commodities for which the State is liable in the event of loss.

H. PURCHASE COMMITMENTS - MORTGAGE LOANS

Simultaneous with the issuance of bonds, the N.C Housing Finance Agency agreed with certain mortgage lenders to purchase mortgage loans. At June 30, 1988, the following purchase commitments remained outstanding (expressed in thousands):

	Original Commitment	Outstanding Commitment
Single Family Revenue Bonds:		
Series D	$ 19,095	$ 2,317
Series E/F	56,444	56,444
Multifamily Revenue Bonds:		
Series D	43,950	8,086
Series E	12,033	10,731
Total Commitments		$ 77,578

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS
ALL PENSION TRUST FUNDS

June 30, 1988

(Expressed in Thousands)

System	Fiscal Year Ended	Net Assets (at cost) Available For Benefits (1)	Pension Benefit Obligation (2)	Percentage Funded (1) / (2) (3)	Unfunded (Assets in Excess of) Pension Benefit Obligation (2) - (1) (4)	Annual Covered Payroll (5)	Unfunded (Assets in Excess of) Pension Benefit Obligation As a Percentage of Covered Payroll (4) / (5) (6)
Teachers' and State Employees'	12-31-87	$ 10,199,107	$ 10,478,234	97.34%	$ 279,127	$ 4,221,927	6.61%
Consolidated Judicial	12-31-87	$ 69,587	$ 90,114	77.22%	$ 20,527	$ 20,762	98.87%
Legislative	12-31-87	[1]	[1]	[1]	[1]	$ 1,680	[1]
Firemen, Rescue Workers'	6-30-87	$ 51,673	$ 74,648	69.22%	$ 22,975	N/A	N/A
National Guard	12-31-85	[1]	[1]	[1]	[1]	N/A	N/A
Local Government	12-31-87	$ 2,225,723	$ 2,090,967	106.44%	$ (134,756)	$ 1,280,303	(10.52%)

[1] - Information not available

N/A - Not Applicable

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE
ALL PENSION TRUST FUNDS

For the Ten-Year Period 1978 to 1987 (January 1 to December 31)

(Expressed in Thousands)

Teachers' and State Employees' Retirement System

Revenues by Source

Fiscal Year	Contributions Employee	Contributions Employer	Investment Earnings	Miscellaneous	Transfers In	Total Revenues
1987	$ 266,435	$ 435,561	$ 1,144,640	$ 498	$ 3,513	$ 1,850,647
1986	247,931	408,986	905,774	608	2,287	1,565,586
1985	227,099	372,991	746,474	591	134,886 [1]	1,482,041
1984	198,360	323,052	600,981	556	1,703	1,124,652
1983	181,724	290,360	526,433	572	1,003	1,000,092
1982	177,106	281,880	469,761	386	1,220	930,353
1981	167,542	262,722	370,070	343	1,054	801,731
1980	155,403	233,310	299,301	323	1,078	689,415
1979	139,056	210,882	233,400	449	973	584,760
1978	127,297	190,905	193,955	438	-	512,595

Expenses by Type

Fiscal Year	Benefit Payments	Administrative Expenses	Refund of Contributions	Other Expenses	Transfers Out	Total Expenses
1987	$ 419,733	$ 2,653	$ 35,540	$ 1	$ 1,558	$ 459,485
1986	378,700	2,471	34,222	3	1,284	416,680
1985	339,165	2,334	37,166	-	1,056	379,721
1984	293,576	2,200	37,204	13	1,165	334,158
1983	259,892	1,947	36,331	8	821	298,999
1982	233,273	1,748	34,181	1	745	269,948
1981	205,839	1,701	33,973	23	1,168	242,704
1980	177,183	1,602	26,589	3	914	206,291
1979	158,571	1,662	23,807	7	831	184,878
1978	136,413	1,513	21,426	14,448 [2]	-	173,800

Contributions were made in accordance with actuarially determined contribution requirements.

[1] A portion of the Law Enforcement Officers' Retirement System was closed out and merged into the Teachers' and State Employees' Retirement System on January 1, 1985.

[2] Loss on sale of investments

Employer Contributions as a Percentage of Annual Covered Payroll

Fiscal Year	Percentage	Fiscal Year	Percentage
1987	10.32%	1982	9.55%
1986	10.43%	1981	9.56%
1985	10.40%	1980	9.08%
1984	10.08%	1979	9.16%
1983	9.56%	1978	9.09%

Consolidated Judicial Retirement System

Revenues by Source

Fiscal Year	Contributions		Investment Earnings	Misc.	Transfers In	Total Revenues
	Employee	Employer				
1987	$ 1,398	$ 6,205	$ 7,594	$ 2	$ -	$ 15,199
1986	1,231	5,739	5,967	-	-	12,937
1985	1,177	6,656	4,800	29	-	12,662
1984	1,091	6,098	3,726	-	-	10,915
1983	894	4,322	3,083	-	-	8,299
1982	885	4,128	2,646	-	3	7,662
1981	856	3,848	1,960	-	-	6,664
1980	752	3,583	1,473	-	17	5,825
1979	702	3,336	1,078	-	-	5,116
1978	762	3,049	705	-	-	4,516

Expenses by Type

Fiscal Year	Benefit Payments	Administrative Expenses	Refund of Contributions	Other Expenses	Transfers Out	Total Expenses
1987	$ 4,965	$ 18	$ 139	$ 7	$ -	$ 5,129
1986	4,390	17	41	-	-	4,448
1985	3,834	16	70	-	-	3,920
1984	3,173	20	54	-	-	3,247
1983	2,798	22	142	-	-	2,962
1982	2,302	12	24	-	-	2,338
1981	2,115	11	55	-	-	2,181
1980	1,686	9	19	-	-	1,714
1979	1,545	7	28	-	-	1,580
1978	1,126	7	32	-	15	1,180

Legislative Retirement System

Revenues by Source

Fiscal Year	Contributions		Investment Earnings	Misc.	Total Revenues
	Employee	Employer			
1987	$ 129	$ 591	$ 247	$ -	$ 967
1986	139	594	154	-	887
1985	526	463	79	27	1,095
1984	-	-	-	-	-
1983	-	-	-	-	-
1982	-	-	-	-	-
1981	-	-	-	-	-
1980	-	-	-	-	-
1979	-	-	-	-	-
1978	-	-	-	-	-

Expenses by Type

Fiscal Year	Benefit Payments	Administrative Expenses	Refund of Contributions	Total Expenses
1987	$ 155	$ 2	$ 8	$ 165
1986	114	2	1	117
1985	76	1	4	81
1984	-	-	-	-
1983	-	-	-	-
1982	-	-	-	-
1981	-	-	-	-
1980	-	-	-	-
1979	-	-	-	-
1978	-	-	-	-

Contributions were made in accordance with actuarially determined contribution requirements.

Employer Contributions as a Percentage of Annual Covered Payroll

Fiscal Year	Percentage
1987	29.89%
1986	30.62%
1985	35.61%
1984	34.12%
1983	27.84%
1982	28.78%
1981	28.79%
1980	27.93%
1979	28.27%
1978	29.29%

Fiscal Year	Percentage
1987	35.18%
1986	37.69%
1985	29.53%
1984	-
1983	-
1982	-
1981	-
1980	-
1979	-
1978	-

NOTE: The Legislative Retirement System was established on February 6, 1985

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE (CONTINUED)
ALL PENSION TRUST FUNDS

For the Ten-Year Period 1978 to 1987 (January 1 to December 31)
(Expressed in Thousands)

Firemen and Rescue Squad Workers' Pension Fund

Revenues by Source

(*) Fiscal Year	Contributions Employee	Contributions Employer	Investment Earnings	Misc.	Total Revenues
1988	$ 2,804	$ 5,685	$ 6,425	$ -	$ 14,914
1987	6,232	4,185	4,831	-	15,248
1986	881	1,755	4,286	21	6,943
1985	827	2,574	3,518	-	6,919
1984	1,407	2,875	2,984	-	7,266
1983	1,030	2,828	2,722	-	6,580
1982	652	3,163	2,098	-	5,913
1981	1,167	1,103	1,997	-	4,267
1980	1,409	1,203	1,334	-	3,946
1979	480	1,103	1,125	-	2,708

Expenses by Type

Fiscal Year	Benefit Payments	Refund of Contributions	Total Expenses
1988	$ 5,737	$ 354	$ 6,091
1987	4,372	212	4,584
1986	2,797	240	3,037
1985	2,703	160	2,863
1984	2,566	133	2,699
1983	2,330	130	2,460
1982	1,805	153	1,958
1981	1,320	140	1,460
1980	1,167	107	1,274
1979	1,088	104	1,192

National Guard Pension Fund

Revenues by Source

Fiscal Year	Employer Contributions	Investment Earnings	Total Revenues
1987	$ 1,800	$ 493	$ 2,293
1986	1,740	353	2,093
1985	1,718	207	1,925
1984	1,718	84	1,802
1983	532	18	550
1982	-	-	-
1981	-	-	-
1980	-	-	-
1979	-	-	-
1978	-	-	-

Expenses by Type

Fiscal Year	Benefit Payments	Administrative Expenses	Total Expenses
1987	$ 692	$ 10	$ 702
1986	636	10	646
1985	607	10	617
1984	558	13	571
1983	221	2	223
1982	-	-	-
1981	-	-	-
1980	-	-	-
1979	-	-	-
1978	-	-	-

(*) - For the fiscal years ended June 30, 1979 to 1988

Contributions were made in accordance with actuarially determined contribution requirements.

NOTE: Disclosure of employer contributions as a percentage of annual covered payroll is not applicable for the Firemen and Rescue Squad Workers' and the National Guard Pension Funds since employer contributions are not based on annual covered payroll.

The National Guard Pension Fund was established on July 1, 1983.

Local Governmental Employees' Retirement System

Revenues by Source

Fiscal Year	Contributions	Investment Earnings	Court Costs	Miscellaneous	Transfers In	Total Revenues
1987	$ 179,181	$ 244,538	$ 3,982	$ 92	$ 1,557	$ 429,350
1986	153,568	196,185	1,332	114	255,138 [1]	606,337
1985	126,527	132,063	-	24	1,056	259,670
1984	110,066	106,703	-	68	1,165	218,002
1983	101,816	91,128	-	24	820	193,788
1982	92,282	79,482	-	5	742	172,511
1981	85,683	61,220	-	5	1,168	148,076
1980	79,522	48,326	-	5	897	128,750
1979	69,098	36,951	-	35	831	106,915
1978	58,820	28,733	-	28	-	87,581

Expenses by Type

Fiscal Year	Benefit Payments	Administrative Expenses	Refund of Contributions	Other Expenses	Transfers Out	Total Expenses
1987	$ 74,527	$ 822	$ 18,794	$ -	$ 3,517	$ 97,660
1986	63,239	848	19,518	121	2,287	86,013
1985	45,880	665	16,250	-	1,875	64,670
1984	39,230	633	14,533	-	1,660	56,056
1983	33,776	542	12,221	2	941	47,482
1982	30,102	497	11,027	-	1,159	42,785
1981	24,936	482	11,652	1	2,386	39,457
1980	21,795	453	9,218	1	1,453	32,920
1979	19,254	428	9,366	1	945	29,994
1978	15,371	380	7,703	-	-	23,454

[1] The Law Enforcement Officers' Retirement System was closed out and merged into the Local Governmental Employees' Retirement System on January 1, 1986.

Contributions were made in accordance with actuarially determined contribution requirements.

NOTE: Disclosure of employer contributions as a percentage of annual covered payroll is not required for the Local Governmental Employees' Retirement System. It is an agent multiple-employer PERS which is exempt from this disclosure requirement.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE (CONTINUED)
ALL PENSION TRUST FUNDS

Law Enforcement Officers' Retirement System

Revenues by Source

Fiscal Year	Contributions	Investment Earnings	Court Costs	State Appropriations	Miscellaneous	Transfers In	Total Revenues
1987							N/A
1986							N/A
1985	$ 20,264	$ 33,168	$ 1,154	$ -	$ 1	$ -	$ 54,587
1984	29,517	37,644	1,541	-	1	7	68,710
1983	27,387	33,087	2,307	-	2	1	62,784
1982	25,536	29,080	2,161	-	-	-	56,777
1981	22,631	22,503	2,385	-	-	1,375	48,894
1980	17,789	18,405	2,469	644	-	404	39,711
1979	13,762	14,838	2,456	1,432	12	-	32,500
1978	13,673	12,205	2,714	1,367	9	-	29,968

Expenses by Type

Fiscal Year	Benefit Payments	Administrative Expenses	Refund of Contributions	Other Expenses	Transfers Out		Total Expenses
1987							N/A
1986							N/A
1985	$ 8,745	$ 115	$ 2,642	$ -	$ 158,863	[1]	$ 170,365
1984	11,839	118	3,308	1	6,545		21,811
1983	10,347	102	3,215	1	64		13,729
1982	8,783	88	2,560	-	61		11,492
1981	7,639	85	2,799	-	24		10,547
1980	6,140	89	2,351	-	29		8,609
1979	5,249	117	2,694	-	28		8,088
1978	3,803	150	2,201	-	2		6,156

[1] The Law Enforcement Officers' Retirement System was closed out and merged into the Teachers' and State Employees' and Local Governmental Employees' Retirement Systems.

Contributions were made in accordance with actuarially determined contribution requirements.

COMBINING AND INDIVIDUAL FUND STATEMENTS

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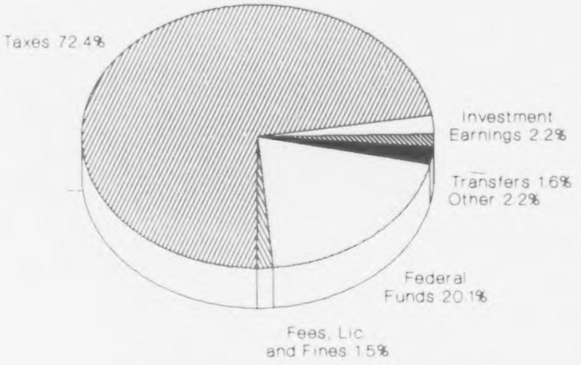
GENERAL FUND

The General Fund is maintained to account for all financial resources received and used for services traditionally provided by a state government. These services include general government, public safety and regulation, corrections, health, welfare and rehabilitation, resource development and preservation, agriculture, and any other services not accounted for in another fund.

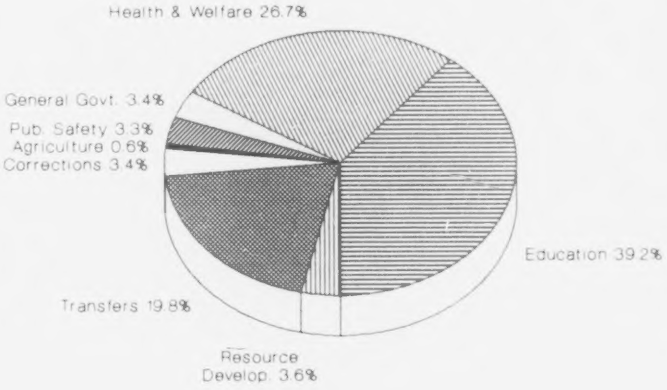
The charts at the right provide a breakdown of the General Fund revenues and expenditures for the year ended June 30, 1988, on the modified accrual basis of accounting (GAAP). Under this basis, total expenditures and other uses exceeded revenues and other sources by $78.2 million in 1988.

Revenues and other sources increased $706 million over the prior year, or 10% (revenues increased $719 million and operating transfers decreased $13 million), primarily as a result of higher tax revenues and federal funds. Expenditures and other uses increased $885 million over the prior year, or 12% (expenditures increased $609 and operating transfers out increased $276), primarily as a result of increases of $304 million in education, $176 million in health, welfare and rehabilitation, and $54 million in general government.

General Fund Revenues



General Fund Expenditures



COMPARATIVE BALANCE SHEETS
GENERAL FUND

June 30, 1988 and 1987

Exhibit B-1

(Expressed in Thousands)

	June 30, 1988	June 30, 1987
Assets		
Cash and Cash Equivalents	$ 1,012,479	$ 1,006,503
Investments	5,235	5,235
Receivables:		
Accounts Receivable	77,698	67,613
Intergovernmental Receivables	181,088	154,669
Investment Earnings	12,393	12,280
Interfund Receivables	10,275	6,884
Inventories	26,861	24,696
Total Assets	$ 1,326,029	$ 1,277,880
Liabilities and Fund Balance		
Liabilities:		
Accounts Payable and Accrued Liabilities:		
Accounts Payable	$ 27,521	$ 23,735
Public Assistance Claims Payable	165,573	132,635
Accrued Payroll	5,613	5,038
Intergovernmental Payables	497,979	448,270
Interfund Payables	21,017	3,637
Deposits Payable	164	47
Deferred Revenue	66,733	56,160
Total Liabilities	784,600	669,522
Fund Balance:		
Reserved	117,927	186,050
Unreserved:		
Designated for Subsequent Years' Expenditures	55,277	58,791
Undesignated	368,225	363,517
Total Fund Balance	541,429	608,358
Total Liabilities and Fund Balance	$ 1,326,029	$ 1,277,880

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND

For the Fiscal Years Ended June 30, 1988 and 1987

Exhibit B-2

(Expressed in Thousands)

	June 30, 1988	June 30, 1987
Revenues:		
Taxes	$ 5,775,503	$ 5,219,692
Federal Funds	1,602,253	1,472,035
Local Funds	86,703	95,468
Investment Earnings	172,564	147,253
Sales and Services	67,813	51,577
Sale, Rental and Lease of Property	4,297	4,023
Fees, Licenses and Fines	120,489	100,522
Contributions, Gifts and Grants	1,159	1,195
Miscellaneous	20,459	40,921
Total Revenues	7,851,240	7,132,686
Expenditures:		
Current:		
General Government	269,396	215,720
Public Safety and Regulation	269,317	241,741
Corrections	276,272	251,906
Public Education and Community Colleges	3,158,861	2,854,939
Health, Welfare and Rehabilitation	2,148,724	1,972,922
Resource Development and Preservation	287,964	267,220
Agriculture	49,091	46,137
Total Expenditures	6,459,625	5,850,585
Excess Revenues Over Expenditures	1,391,615	1,282,101
Other Financing Sources (Uses):		
Operating Transfers In	128,683	141,463
Operating Transfers Out	(1,598,519)	(1,322,969)
Total Other Financing Sources (Uses)	(1,469,836)	(1,181,506)
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(78,221)	100,595
Fund Balance - July 1 - As Previously Reported	608,358	508,483
Restatements	67	-
Residual Equity Transfers:		
Transfers In	9,000	-
Transfers Out	-	(1,488)
Increase In Reserve for Related Assets	2,225	768
Fund Balance - June 30	$ 541,429	$ 608,358

COMPARATIVE SCHEDULES OF REVENUES BY SOURCE GENERAL FUND

For the Fiscal Years Ended June 30, 1988 and 1987

Exhibit B-3

(Expressed in Thousands)

	June 30, 1988	June 30, 1987
Tax Revenues:		
Income Tax	$ 3,485,210	$ 3,165,847
Sales and Use Tax	1,600,746	1,450,903
Franchise Tax	234,686	206,531
Beverage Tax	122,530	112,517
Insurance Tax	186,461	139,046
Inheritance Tax	60,417	73,359
Soft Drink Tax	27,365	24,813
Cigarette Tax	16,161	16,105
License Tax	27,276	21,283
Building and Loan Association Tax	8,696	4,442
Gift Tax	5,003	3,932
Other Taxes	952	914
Total Tax Revenues	5,775,503	5,219,692
Non-Tax Revenues:		
Federal Funds:		
Departmental Revenues	1,602,253	1,472,035
Local Funds:		
Departmental Revenues	86,703	95,468
Investment Earnings:		
Income from Treasurer's Investments	166,490	139,474
Railroad Dividends	217	217
Departmental Revenues	5,857	7,562
	172,564	147,253
Sales and Services:		
Departmental Revenues	67,813	51,577
Sale, Rental and Lease of Property:		
Proceeds from Sale, Rental and Lease of Property	302	315
Departmental Revenues	3,995	3,708
	4,297	4,023
Fees, Licenses and Fines:		
Court Fines and Fees	42,289	37,479
Securities Registration Fees	3,771	3,015
Banking and Investment Fees	2,233	2,344
Self Insurer Fees (Industrial Commission)	2,425	2,101
Corporations Licenses and Fees	2,167	2,163
Gasoline and Oil Inspection Fees	1,198	975
Uniform Commercial Code Fees	951	705
Notary Licenses and Fees	373	369
Probation Supervision Fees	4,580	2,943
Elections Filing Fees	168	9
Departmental Revenues	54,053	43,244
Other Non-Tax Revenues	6,281	5,175
	120,489	100,522
Contributions, Gifts and Grants:		
Departmental Revenues	1,159	1,195
Miscellaneous:		
Intangible Tax Administration	2,446	2,578
Local Sales and Use Tax Administration	5,152	4,411
Other Non-Tax Revenue	478	460
Departmental Revenues	12,383	33,472
	20,459	40,921
Total Non-Tax Revenues	2,075,737	1,912,994
Total Revenues	$ 7,851,240	$ 7,132,686

SCHEDULE OF EXPENDITURES BY FUNCTION AND DEPARTMENT GENERAL FUND

For the Fiscal Year Ended June 30, 1988

(Expressed in Thousands)

	Function			
Department	Total	General Government	Public Safety and Regulation	Corrections
General Assembly	$ 14,080	$ 14,080	$ -	$ -
Governor	89,042	89,042	-	-
Lieutenant Governor	644	644	-	-
Secretary of State	2,604	2,604	-	-
State Auditor	7,049	7,049	-	-
State Treasurer	8,493	8,493	-	-
State Controller	4,301	4,301	-	-
Administration	43,385	43,385	-	-
Revenue	96,705	96,705	-	-
State Board of Elections	1,121	1,121	-	-
Judicial	164,931	-	164,931	-
Justice	49,339	-	49,339	-
Labor	10,088	-	10,088	-
Insurance	14,285	-	14,285	-
Crime Control and Public Safety	30,674	-	30,674	-
Correction	276,272	-	-	276,272
Education - Public Schools	2,800,199	-	-	-
Community Colleges	352,707	-	-	-
Cultural Resources	41,054	-	-	-
Human Resources	2,148,724	-	-	-
Natural Resources and Community Development	182,510	-	-	-
Commerce	64,400	-	-	-
Agriculture	49,091	-	-	-
School of Science and Mathematics	5,955	-	-	-
Office of Administrative Hearings	1,972	1,972	-	-
Total Expenditures	$ 6,459,625	$ 269,396	$ 269,317	$ 276,272

Exhibit B-4

Function			
Public Education and Community Colleges	Health, Welfare and Rehabilitation	Resource Development & Preservation	Agriculture
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,800,199	-	-	-
352,707	-	-	-
-	-	41,054	-
-	2,148,724	-	-
-	-	182,510	-
-	-	64,400	-
-	-	-	49,091
5,955	-	-	-
-	-	-	-
$ 3,158,861	$ 2,148,724	$ 287,964	$ 49,091

COMPARATIVE SCHEDULES OF EXPENDITURES BY OBJECT GENERAL FUND

For the Fiscal Years Ended June 30, 1988 and 1987

Exhibit B-5

(Expressed in Thousands)

	June 30, 1988	June 30, 1987
Current Expenditures		
Personal Services	$ 903,664	$ 844,266
Employee Benefits	231,812	205,681
Contracted Personal Services	61,901	55,676
Supplies and Materials	77,570	72,618
Travel	29,398	27,285
Communications	22,064	20,999
Utilities	27,355	26,011
Data Processing Services	14,649	13,646
Other Services	37,796	32,542
Rental of Property and Equipment	11,796	10,690
Other Pensions and Benefits	303	398
Other Fixed Charges	24,831	22,148
Capital Outlay	63,611	57,360
Grants, State Aid and Subsidies:		
Elementary and Secondary Public Education	2,744,148	2,470,072
Human Resources	1,592,942	1,433,655
Community Colleges	320,852	302,489
Other Grants, State Aid and Subsidies	291,395	229,324
Other Expenditures	3,538	25,725
Total Expenditures	$ 6,459,625	$ 5,850,585

SPECIAL REVENUE FUNDS

The Special Revenue Funds are maintained to account for those financial resources which are restricted by legal, regulatory or administrative action to finance particular functions or activities of the State.

The following activities are included in Special Revenue Funds:

1. **Highway** - To account for highway construction and maintenance activities funded by highway user taxes and Federal grants.

2. **Bond** - To account for Highway, Clean Water and Public School Facility activities funded by the issue of General Obligation Bonds.

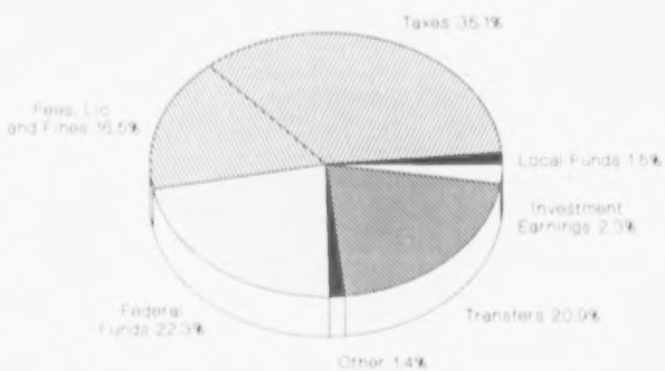
3. **Public School Building Capital Fund** - To account for special funds accumulated from tax revenues for public school construction.

4. **Critical School Facility Needs Fund** - To account for funds designated for critical school needs.

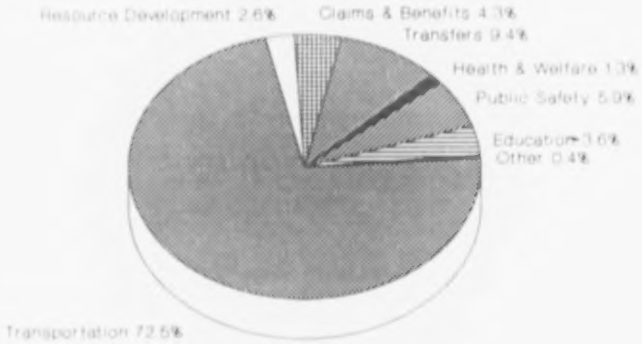
5. **Departmental** - To account for special activities of General Government funded by various State and other governmental grants.

The charts provide a breakdown of Special Revenue Funds revenues and expenditures for the year ended June 30, 1988, on the modified accrual basis of accounting. Under this basis, total revenues and other sources exceeded expenditures and other uses by $195 million in 1988.

Special Fund Revenues



Special Fund Expenditures



COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS

June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Highway Fund	Bond Funds	Public School Building Capital Fund	Critical School Facility Needs Fund
Assets				
Cash and Cash Equivalents	$ 390,674	$ 30,235	$ 73,227	$ 98,357
Cash With Fiscal Agents	9,508	-	-	-
Receivables:				
Accounts Receivable	7,169	47	-	-
Intergovernmental Receivables	55,420	506	-	-
Investment Earnings	2,922	-	550	669
Other Receivables	1,412	-	-	-
Interfund Receivables	652	114	16,730	-
Inventories	35,897	-	-	-
Prepaid Expenditures	517	-	-	-
Securities Held in Trust	-	-	-	-
Total Assets	$ 504,171	$ 30,902	$ 90,507	$ 99,026
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable and Accrued Liabilities:				
Accounts Payable	$ 35,859	$ -	$ -	$ -
Accrued Payroll	7,897	-	-	-
Intergovernmental Payables	67,702	447	-	-
Other Payables	1	-	-	-
Interfund Payables	15,236	648	-	5
Deposits Payable	20,130	-	-	-
Deferred Revenue	1,270	-	-	-
Total Liabilities	148,095	1,095	-	5
Fund Balances:				
Reserved	48,359	-	-	-
Unreserved:				
Designated for Subsequent Years' Expenditures	307,717	29,807	90,507	99,021
Total Fund Balances	356,076	29,807	90,507	99,021
Total Liabilities and Fund Balances	$ 504,171	$ 30,902	$ 90,507	$ 99,026

Exhibit C-1

Departmental Funds	Totals June 30, 1988	Totals June 30, 1987
$ 79,042	$ 671,535	$ 477,212
-	9,508	10,100
746	7,962	4,184
2,031	57,957	49,853
-	4,141	2,873
127	1,539	1,470
2,270	19,766	7,652
3,162	39,059	38,222
33	550	326
1,931	1,931	991
$ 89,342	$ 813,948	$ 592,883
$ 2,826	$ 38,685	$ 22,117
769	8,666	5,366
2,712	70,861	66,897
561	562	808
682	16,571	18,961
1,931	22,061	18,830
573	1,843	1,919
10,054	159,249	134,898
7,156	55,515	53,108
72,132	599,184	404,877
79,288	654,699	457,985
$ 89,342	$ 813,948	$ 592,883

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Highway Fund	Bond Funds	Public School Building Capital Fund	Critical School Facility Needs Fund
Revenues:				
Taxes	$ 606,203	$ -	$ -	$ -
Federal Funds	310,853	-	-	-
Local Funds	18,359	9	-	-
Investment Earnings	33,925	-	2,576	3,526
Sales and Services	893	-	-	-
Sale, Rental and Lease of Property	-	-	-	-
Fees, Licenses and Fines	253,307	-	-	-
Contributions, Gifts and Grants	6,060	-	-	-
Miscellaneous	11,020	1	-	-
Total Revenues	1,240,620	10	2,576	3,526
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety and Regulation	-	-	-	-
Corrections	-	-	-	-
Public Education and Community Colleges	-	133	8,604	-
Transportation	1,110,644	1,266	-	-
Health, Welfare and Rehabilitation	-	-	-	-
Resource Development and Preservation	-	12,741	-	-
Claims and Benefits Administration	-	-	-	-
Total Expenditures	1,110,644	14,140	8,604	-
Excess Revenues Over (Under) Expenditures	129,976	(14,130)	(6,028)	3,526
Other Financing Sources (Uses):				
Operating Transfers In	5,145	-	96,657	95,500
Operating Transfers Out	(116,926)	(87)	(122)	(5)
Proceeds from Bond Sale	-	-	-	-
Total Other Financing Sources (Uses)	(111,781)	(87)	96,535	95,495
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	18,195	(14,217)	90,507	99,021
Fund Balances - July 1 - As Previously Reported	336,059	44,024	-	-
Restatements	(2,792)	-	-	-
Residual Equity Transfers:				
Transfers In	1,620	-	-	-
Increase in Reserve for Related Assets	2,994	-	-	-
Fund Balances - June 30	$ 356,076	$ 29,807	$ 90,507	$ 99,021

Exhibit C-2

Departmental Funds	Totals	
	June 30, 1988	June 30, 1987
$ -	$ 606,203	$ 525,953
74,573	385,426	378,283
7,662	26,030	14,139
52	40,079	26,239
2,060	2,953	1,874
161	161	156
31,129	284,436	268,560
1,890	7,950	5,476
3,615	14,636	14,594
121,142	1,367,874	1,235,274
5,340	5,340	4,819
90,581	90,581	81,674
771	771	743
46,065	54,802	34,720
-	1,111,910	950,076
20,505	20,505	20,430
27,093	39,834	37,292
66,168	66,168	65,430
256,523	1,389,911	1,195,184
(135,381)	(22,037)	40,090
163,949	361,251	151,273
(27,337)	(144,477)	(117,271)
-	-	46,000
136,612	216,774	80,002
1,231	194,737	120,092
77,902	457,985	306,858
94	(2,698)	-
8	1,628	19,693
53	3,047	11,342
$ 79,288	$ 654,699	$ 457,985

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) BUDGETED SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 1988

(Expressed in Thousands)

	Highway Fund				
				Variance-Favorable (Unfavorable)	
	Certified Budget	Final Budget	Actual (Budgetary Basis)	Certified Budget	Final Budget
Revenues:					
General:					
Tax - Gasoline	$ 606,000	$ 606,000	$ 612,227	$ 6,227	$ 6,227
Non-Tax:					
Fees, Licenses and Fines	227,000	227,565	241,574	14,574	14,009
Investment Income	23,000	23,000	33,925	10,925	10,925
Other	7,700	7,700	8,881	1,181	1,181
Departmental:					
Federal Funds	-	304,395	304,395	304,395	-
Local Funds	-	26,135	26,135	26,135	-
Inter-Agency Grants and Allocations	-	5,145	5,145	5,145	-
Intra-Agency Transfers	-	-	1,601	1,601	1,601
Sales and Services	-	-	-	-	-
Rental and Lease Income	-	-	-	-	-
Fees, Licenses and Fines	-	-	-	-	-
Contributions, Gifts and Grants	-	-	-	-	-
Universities	-	-	-	-	-
Miscellaneous	-	-	6,810	6,810	6,810
Unbudgeted Funds	-	-	-	-	-
Total Revenues	863,700	1,199,940	1,240,693	376,993	40,753
Expenditures:					
Current:					
General Government	-	-	-	-	-
Public Safety and Regulation	-	-	-	-	-
Corrections	-	-	-	-	-
Public Education and Community Colleges	-	-	-	-	-
Transportation	882,372	1,508,914	1,207,628	(325,256)	301,286
Universities	-	-	-	-	-
Health, Welfare and Rehabilitation	-	-	-	-	-
Resource Development and Preservation	-	-	-	-	-
Budgeted Non-Cash Transactions	-	-	-	-	-
Total Expenditures	882,372	1,508,914	1,207,628	(325,256)	301,286
Excess Revenues Over (Under) Expenditures	(18,672)	(308,974)	33,065	51,737	342,039
Fund Balances (Budgetary Basis) at July 1, 1987	-	-	-	-	-
Add Encumbrances and Reserves Reappropriated	1,023,336	1,023,336	1,023,336	-	-
Adjusted Fund Balances (Budgetary Basis) at July 1, 1987	1,023,336	1,023,336	1,023,336	-	-
Fund Balances (Budgetary Basis) at June 30, 1988	$ 1,004,664	$ 714,362	$ 1,056,401	$ 51,737	$ 342,039

Exhibit C-3

Departmental Funds					Total				
			Variance-Favorable (Unfavorable)					Variance-Favorable (Unfavorable)	
Certified Budget	Final Budget	Actual (Budgetary Basis)	Certified Budget	Final Budget	Certified Budget	Final Budget	Actual (Budgetary Basis)	Certified Budget	Final Budget
$ -	$ -	**$ -**	$ -	$ -	$ 606,000	$ 606,000	**$ 612,227**	$ 6,227	$ 6,227
-	-	**-**	-	-	227,000	227,565	**241,574**	14,574	14,009
-	-	**-**	-	-	23,000	23,000	**33,925**	10,925	10,925
-	-	**-**	-	-	7,700	7,700	**8,881**	1,181	1,181
44,227	32,434	**40,356**	(3,871)	7,922	44,227	336,829	**344,751**	300,524	7,922
721	1,021	**235**	(486)	(786)	721	27,156	**26,370**	25,649	(786)
167,242	277,781	**270,404**	103,162	(7,377)	167,242	282,926	**275,549**	108,307	(7,377)
29,126	39,153	**38,471**	9,345	(682)	29,126	39,153	**40,072**	10,946	919
1,979	2,389	**2,127**	148	(262)	1,979	2,389	**2,127**	148	(262)
154	198	**170**	16	(28)	154	198	**170**	16	(28)
30,109	32,167	**30,020**	(89)	(2,147)	30,109	32,167	**30,020**	(89)	(2,147)
236	1,282	**1,191**	955	(91)	236	1,282	**1,191**	955	(91)
28,671	35,910	**52,995**	24,324	17,085	28,671	35,910	**52,995**	24,324	17,085
8,599	11,392	**11,190**	2,591	(202)	8,599	11,392	**18,000**	9,401	6,608
-	-	**1,559**	1,559	1,559			**1,559**	1,559	1,559
311,064	433,727	**448,718**	137,654	14,991	1,174,764	1,633,667	**1,689,411**	514,647	55,744
91,426	96,114	**21,387**	70,039	74,727	91,426	96,114	**21,387**	70,039	74,727
111,440	123,724	**112,708**	(1,268)	11,016	111,440	123,724	**112,708**	(1,268)	11,016
958	1,201	**767**	191	434	958	1,201	**767**	191	434
278	113,796	**12,062**	(11,784)	101,734	278	113,796	**12,062**	(11,784)	101,734
-	-	**-**	-	-	882,372	1,508,914	**1,207,628**	(325,256)	301,286
29,432	39,635	**50,739**	(21,307)	(11,104)	29,432	39,635	**50,739**	(21,307)	(11,104)
26,448	29,045	**21,798**	4,650	7,247	26,448	29,045	**21,798**	4,650	7,247
50,992	38,074	**44,221**	6,771	(6,147)	50,992	38,074	**44,221**	6,771	(6,147)
-	-	**19**	(19)	(19)	-	-	**19**	(19)	(19)
310,974	441,589	**263,701**	47,273	177,888	1,193,346	1,950,503	**1,471,329**	(277,983)	479,174
90	(7,862)	**185,017**	184,927	192,879	(18,582)	(316,836)	**218,082**	236,664	534,918
33,271	33,271	**33,271**	-	-	33,271	33,271	**33,271**	-	-
-	-	**-**	-	-	1,023,336	1,023,336	**1,023,336**	-	-
33,271	33,271	**33,271**	-	-	1,056,607	1,056,607	**1,056,607**	-	-
$ 33,361	$ 25,409	**$ 218,288**	$ 184,927	$ 192,879	$ 1,038,025	$ 739,771	**$ 1,274,689**	$ 236,664	$ 534,918

COMPARATIVE SCHEDULES OF EXPENDITURES BY OBJECT HIGHWAY FUND

For the Fiscal Years Ended June 30, 1988 and 1987

Exhibit C-4

(Expressed in Thousands)

	June 30, 1988	June 30, 1987
Current Expenditures:		
Personal Services	$ 282,557	$ 268,796
Employee Benefits	17,341	15,458
Contracted Personal Services	23,212	17,058
Supplies and Materials	89,900	77,316
Travel	6,378	5,887
Communications	4,267	3,688
Utilities	6,461	5,107
Other Services	18,503	14,538
Rental of Property and Equipment	71,568	66,918
Other Fixed Charges	11,782	7,805
Payments to Contractors	433,697	347,868
Acquisition of Right of Way	50,116	35,582
Capital Outlay	10,758	6,711
Grants, State Aid and Subsidies	83,429	76,302
Other Expenditures	675	395
Total Expenditures	$ 1,110,644	$ 949,429

COMBINING BALANCE SHEET
SPECIAL REVENUE BOND FUNDS

June 30, 1988 (With Comparative Totals for 1987)

Exhibit C-5

(Expressed in Thousands)

	Highway	Clean Water	Public School Facilities	Totals	
				June 30, 1988	June 30, 1987
Assets					
Cash and Cash Equivalents	$ 1,189	$ 28,759	$ 287	$ 30,235	$ 43,243
Receivables:					
Accounts Receivable	47	-	-	47	47
Intergovernmental Receivables	506	-	-	506	789
Interfund Receivables	-	114	-	114	209
Total Assets	$ 1,742	$ 28,873	$ 287	$ 30,902	$ 44,288
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Accrued Liabilities:					
Intergovernmental Payables	$ -	$ 447	$ -	$ 447	$ 25
Interfund Payables	648	-	-	648	239
Total Liabilities	648	447	-	1,095	264
Fund Balances:					
Unreserved:					
Designated for Subsequent Years' Expenditures	1,094	28,426	287	29,807	44,024
Total Liabilities and Fund Balances	$ 1,742	$ 28,873	$ 287	$ 30,902	$ 44,288

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES SPECIAL REVENUE BOND FUNDS

For the Fiscal Year Ended June 30, 1988 (With Comparative Totals for 1987)

Exhibit C-6

(Expressed in Thousands)

	Highway	Clean Water	Public School Facilities	Totals June 30, 1988	Totals June 30, 1987
Revenues:					
Local Funds	$ 9	$ -	$ -	**$ 9**	$ 430
Miscellaneous Revenues	1	-	-	**1**	7
Total Revenues	10	-	-	**10**	437
Expenditures:					
Public Education and Community Colleges	-	-	133	**133**	56
Transportation	1,266	-	-	**1,266**	647
Resource Development and Preservation	-	12,741	-	**12,741**	15,024
Total Expenditures	1,266	12,741	133	**14,140**	15,727
Excess Revenues Over (Under) Expenditures	(1,256)	(12,741)	(133)	**(14,130)**	(15,290)
Other Financing Sources (Uses):					
Operating Transfers Out	-	(87)	-	**(87)**	(201)
Proceeds from Bond Sale	-	-	-	**-**	46,000
Total Other Financing Sources (Uses)	-	(87)	-	**(87)**	45,799
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,256)	(12,828)	(133)	**(14,217)**	30,509
Fund Balance - July 1 - As Previously Reported	2,350	41,254	420	**44,024**	13,515
Fund Balances - June 30	$ 1,094	$ 28,426	$ 287	**$ 29,807**	$ 44,024

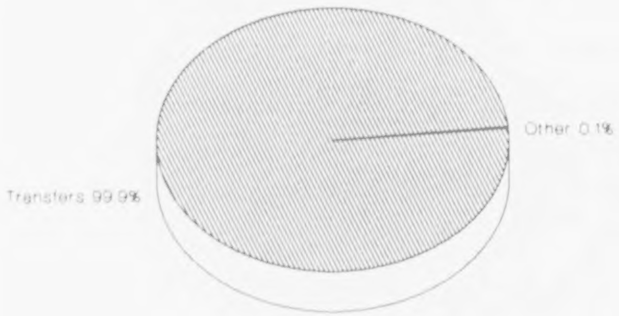
DEBT SERVICE FUNDS

The Debt Service Funds are maintained to account for the accumulation of resources for, and the payment of, principal and interest on General Long-Term Obligations not reported in the Proprietary Funds and University Funds. This debt includes Highway Bonds, General Obligation Bonds, ABC Commission Bonds and the Horse and Livestock Facility Bonds.

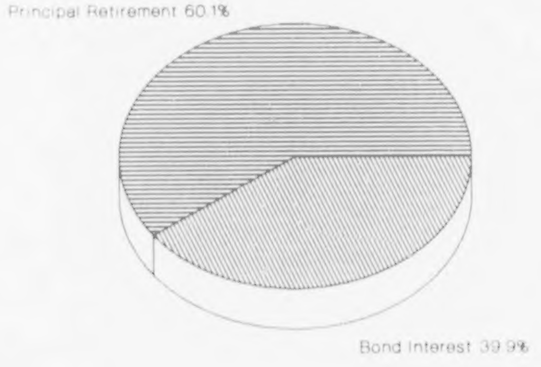
The charts provide a breakdown of Debt Service Funds revenues and expenditures for the year ended June 30, 1988 on the modified accrual basis of accounting.

Debt Service expenditures for long-term debt reported in the General Long-Term Obligations Account Group are made through the Debt Service Fund.

Debt Service Fund Revenues



Debt Service Fund Expenditures



COMBINING BALANCE SHEET
DEBT SERVICE FUNDS

June 30, 1988 (With Comparative Totals for 1987)

Exhibit D-1

(Expressed in Thousands)

	Highway Bonds	General Obligation Bonds	ABC Commission Bonds	Horse & Livestock Facility Bonds	Totals June 30, 1988	Totals June 30, 1987
Assets						
Cash and Cash Equivalents	$ -	$ -	$ 2,093	$ 866	$ 2,959	$ 4,176
Cash With Fiscal Agents	-	968	-	-	968	1,254
Receivables:						
Investment Earnings	-	-	-	6	6	4
Interfund Receivables	-	-	-	1,130	1,130	1,446
Total Assets	$ -	$ 968	$ 2,093	$ 2,002	$ 5,063	$ 6,880
Liabilities and Fund Balances						
Liabilities:						
Matured Bonds Payable	$ -	$ 700	$ -	$ -	$ 700	$ 965
Matured Interest Payable	-	268	-	-	268	471
Deferred Revenue	-	-	-	1,130	1,130	1,264
Total Liabilities	-	968	-	1,130	2,098	2,700
Fund Balances:						
Reserved for Debt Service	-	-	2,093	872	2,965	4,180
Total Liabilities and Fund Balances	$ -	$ 968	$ 2,093	$ 2,002	$ 5,063	$ 6,880

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS

For the Fiscal Year Ended June 30, 1988 (With Comparative Totals for 1987)

Exhibit D-2

(Expressed in Thousands)

	Highway Bonds	General Obligation Bonds	ABC Commission Bonds	Horse & Livestock Facility Bonds	Totals June 30, 1988	Totals June 30, 1987
Revenues:						
One-Cent Gasoline Tax	$ -	$ -	$ -	$ -	$ -	$ 38,068
Investment Earnings	-	-	-	67	67	41
Total Revenues	-	-	-	67	67	38,109
Expenditures:						
Bond Principal Retirement	-	67,340	550	134	68,024	33,072
Bond Interest	-	44,727	361	70	45,158	35,029
Refunded Bond Escrow Payment	-	-	-	-	-	29,094
Total Expenditures	-	112,067	911	204	113,182	97,195
Excess Revenues (Under) Expenditures	-	(112,067)	(911)	(137)	(113,115)	(59,086)
Other Financing Sources (Uses):						
Operating Transfers In	-	112,067	1,000	453	113,520	79,819
Operating Transfers Out	-	-	-	-	-	(15,215)
Proceeds of Refunded Bonds	-	-	-	-	-	460,007
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	(459,471)
Total Other Financing Sources (Uses)	-	112,067	1,000	453	113,520	65,140
Excess Revenues and Other Sources Over Expenditures and Other Uses	-	-	89	316	405	6,054
Fund Balances - July 1 - As Previously Reported	1,620	-	2,004	556	4,180	17,819
Residual Equity Transfers:						
Transfers Out	(1,620)	-	-	-	(1,620)	(19,693)
Fund Balances - June 30	$ -	$ -	$ 2,093	$ 872	$ 2,965	$ 4,180

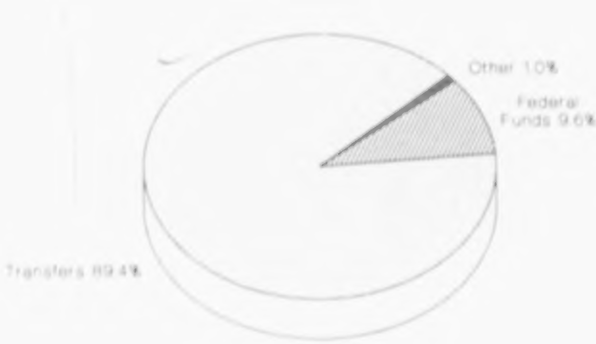
CAPITAL PROJECTS FUND

The Capital Projects Fund is maintained to account for those financial resources received and used for the acquisition, construction or improvement of major governmental General Fixed Assets financed principally by transfers from the General Fund or General Obligation Bonds.

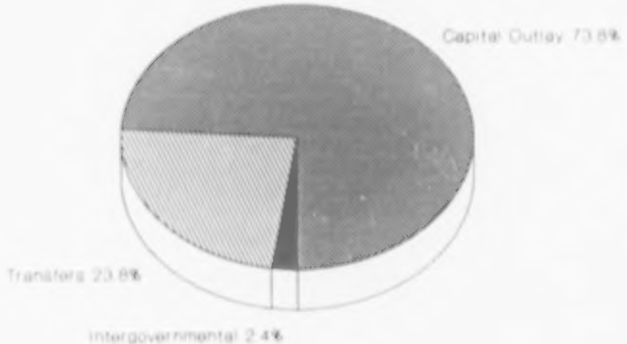
The charts provide a breakdown of Capital Project Fund revenues and expenditures for the year ended June 30, 1988 on the modified accrual basis of accounting.

The net effect of expenditures and other uses over revenues and other sources was a decrease of $35.1 million in the Capital Projects fund balance.

Capital Projects Fund Revenues



Capital Projects Fund Expenditures



COMPARATIVE BALANCE SHEETS
CAPITAL PROJECTS FUND

June 30, 1988 and 1987

Exhibit E-1

(Expressed in Thousands)

	Totals	
	June 30, 1988	June 30, 1987
Assets		
Cash and Cash Equivalents	$ 158,891	$ 186,712
Receivables:		
Accounts Receivable	115	146
Intergovernmental Receivables	876	226
Interfund Receivables	106	218
Total Assets	$ 159,988	$ 187,302
Liabilities and Fund Balance		
Liabilities:		
Accounts Payable and Accrued Liabilities:		
Accounts Payable	$ 7,841	$ 3,101
Intergovernmental Payables	39	117
Interfund Payables	2,187	65
Deposits Payable	2,680	1,490
Deferred Revenue	15	-
Total Liabilities	12,762	4,773
Fund Balance:		
Unreserved:		
Designated for Subsequent Years' Expenditures	147,226	182,529
Total Liabilities and Fund Balance	$ 159,988	$ 187,302

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND

For the Fiscal Years Ended June 30, 1988 and 1987

Exhibit E-2

(Expressed in Thousands)

	Totals	
	June 30, 1988	June 30, 1987
Revenues:		
Federal Funds	$ 7,980	$ 2,300
Local Funds	302	104
Investment Earnings	21	24
Sales and Services	81	62
Sale, Rental and Lease of Property	83	73
Contributions, Gifts and Grants	83	203
Miscellaneous	251	654
Total Revenues	8,801	3,420
Expenditures:		
Capital Outlay	87,008	51,425
Intergovernmental	2,807	2,142
Total Expenditures	89,815	53,567
Excess Revenues Over (Under) Expenditures	(81,014)	(50,147)
Other Financing Sources (Uses):		
Operating Transfers In	74,016	133,559
Operating Transfers Out	(28,055)	(26,206)
Total Other Financing Sources (Uses)	45,961	107,353
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(35,053)	57,206
Fund Balance - July 1 - As Previously Reported	182,529	125,323
Restatements	(250)	-
Fund Balance - June 30	$ 147,226	$ 182,529

ENTERPRISE FUNDS

The Enterprise Funds are maintained to account for the operations of State Government and Public Benefit Authorities that provide goods or services to the general public in a manner similar to private business enterprises. The costs of providing these goods or services are financed through user charges.

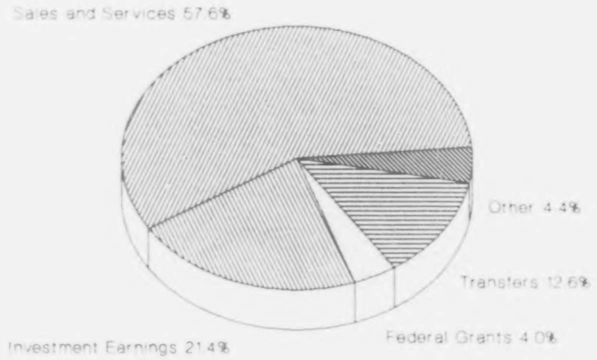
The following activities are included in the Enterprise Funds:

Governmental Enterprise Funds:
- North Carolina Memorial Hospital
- North Carolina State Fair
- USS North Carolina Battleship Commission
- Other Enterprise Funds - Cultural Resources Historic Site Sales and Agricultural Farmers' Market

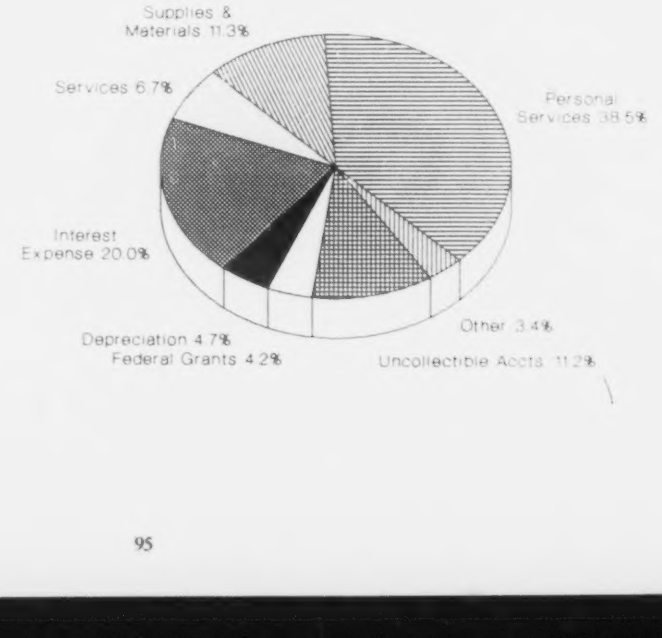
Public Benefit Authorities:
- N. C. Housing Finance Agency
- State Ports Authority
- Ports Railway Commission
- N. C. Agricultural Finance Authority

The charts provide a breakdown of Enterprise Funds revenues and expenses for the year ended June 30, 1988 on the accrual basis of accounting. Under this basis, net income for all Enterprise Funds was $32.8 million in 1988.

Enterprise Fund Revenues



Enterprise Fund Expenses



COMBINING BALANCE SHEET
ENTERPRISE FUNDS

June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Governmental Enterprise Funds				
Assets	N.C. Memorial Hospital	N.C. State Fair	U.S.S. N.C. Battleship Commission	Other Funds	Total Governmental Enterprise Funds
Current Assets:					
Cash and Cash Equivalents	$ 11,540	$ 1,279	$ 1,419	$ 230	$ 14,468
Investments	-	-	1	-	1
Receivables:					
Accounts Receivable	40,909	28	4	4	40,945
Intergovernmental Receivables	902	-	-	-	902
Investment Earnings	2	-	4	-	6
Interfund Receivables	-	10	-	-	10
Inventories	6,116	69	95	38	6,318
Prepaid Expenses	266	-	-	-	266
Total Current Assets	59,735	1,386	1,523	272	62,916
Non-Current Assets:					
Cash and Cash Equivalents	8,222	-	120	-	8,342
Investments	-	-	-	-	-
Accounts Receivable	1,183	-	-	-	1,183
Notes Receivable	-	-	-	-	-
Prepaid Expenses	-	-	37	-	37
Securities Held in Trust	-	-	-	-	-
Total Non-Current Assets	9,405	-	157	-	9,562
Fixed Assets:					
Land and Improvements	-	1,379	97	390	1,866
Buildings and Fixed Equipment	66,392	10,907	2,360	1,141	80,800
Other Structures and Improvements	1,815	482	-	-	2,297
Machinery and Equipment	75,989	394	-	115	76,498
Motor Vehicles and Motorized Equipment	-	185	-	34	219
Construction in Progress	540	-	82	-	622
Accumulated Depreciation	(61,126)	(4,512)	(775)	(682)	(67,095)
Total Fixed Assets	83,610	8,835	1,764	998	95,207
Total Assets	$ 152,750	$ 10,221	$ 3,444	$ 1,270	$ 167,685

Exhibit F-1
Page 1 of 2

Public Benefit Authorities					Totals	
N.C. Housing Finance Agency	State Ports Authority	Ports Railway Commission	N.C. Agricultural Finance Authority	Total Public Benefit Authorities	June 30, 1988	June 30, 1987
$ 36,027	$ 9,382	$ 75	$ 1,047	$ 46,531	**$ 60,999**	$ 23,443
-	9,062	600	-	9,662	**9,663**	9,900
275	4,119	9	-	4,403	**45,348**	32,891
-	-	-	-	-	**902**	3,065
2,669	-	-	-	2,669	**2,675**	2,798
-	-	-	-	-	**10**	11
-	688	-	-	688	**7,006**	5,818
-	79	2	-	81	**347**	538
38,971	23,330	686	1,047	64,034	**126,950**	78,464
-	-	-	-	-	**8,342**	137
160,270	-	-	-	160,270	**160,270**	221,682
-	-	-	-	-	**1,183**	688
664,362	9	-	-	664,371	**664,371**	581,303
3,658	175	-	-	3,833	**3,870**	3,934
-	-	240	-	240	**240**	240
828,290	184	240	-	828,714	**838,276**	807,984
-	20,710	-	-	20,710	**22,576**	20,778
-	27,425	466	-	27,891	**108,691**	106,325
-	35,377	-	-	35,377	**37,674**	33,950
-	30,169	-	-	30,169	**106,667**	97,725
-	-	-	-	-	**219**	217
-	11,712	-	-	11,712	**12,334**	7,470
-	(43,037)	(144)	-	(43,181)	**(110,276)**	(97,664)
-	82,356	322	-	82,678	**177,885**	168,801
$ 867,261	$ 105,870	$ 1,248	$ 1,047	$ 975,426	**$ 1,143,111**	$ 1,055,249

COMBINING BALANCE SHEET ENTERPRISE FUNDS (CONTINUED)

June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Governmental Enterprise Funds				
Liabilities and Fund Equity	N.C. Memorial Hospital	N.C. State Fair	U.S.S. N.C. Battleship Commission	Other Funds	Total Governmental Enterprise Funds
Liabilities:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	$ 5,031	$ 55	$ 26	$ 9	$ 5,121
Accrued Payroll	5,847	20	38	3	5,908
Intergovernmental Payables	-	-	-	-	-
Interfund Payables	-	683	-	-	683
Notes Payable	-	-	-	-	-
Capital Leases Payable	-	5	-	-	5
Bonds Payable (Net of Discount)	-	-	64	-	64
Interest Payable	-	-	3	-	3
Deposits Payable	4,844	-	-	-	4,844
Accrued Vacation Leave	5,204	79	-	18	5,301
Deferred Revenue	-	251	-	-	251
Total Current Liabilities	20,926	1,093	131	30	22,180
Long-Term Liabilities:					
Obligation for Workers Compensation	-	-	-	-	-
Notes Payable	-	-	-	-	-
Claims Payable	5,534	-	-	-	5,534
Capital Leases Payable	-	1	-	-	1
Bonds Payable (Net of Discount)	-	-	624	-	624
Deposits Payable	-	-	-	-	-
Total Long-Term Liabilities	5,534	1	624	-	6,159
Total Liabilities	26,460	1,094	755	30	28,339
Fund Equity:					
Contributed Capital	-	7,468	-	1,402	8,870
Unreserved:					
Retained Earnings	126,290	1,659	2,689	(162)	130,476
Total Fund Equity	126,290	9,127	2,689	1,240	139,346
Total Liabilities and Fund Equity	$ 152,750	$ 10,221	$ 3,444	$ 1,270	$ 167,685

Exhibit F-1
Page 2 of 2

Public Benefit Authorities					Totals	
N.C. Housing Finance Agency	State Ports Authority	Ports Railway Commission	N.C. Agricultural Finance Authority	Total Public Benefit Authorities	June 30, 1988	June 30, 1987
$ 1,524	$ 1,455	$ -	$ 1	$ 2,980	**$ 8,101**	$ 8,258
-	-	-	-	-	**5,908**	4,753
-	-	-	-	-	**-**	239
-	-	-	-	-	**683**	773
-	224	50	-	274	**274**	263
-	-	-	-	-	**5**	12
17,125	525	-	-	17,650	**17,714**	15,564
25,333	-	-	-	25,333	**25,336**	18,965
-	-	-	-	-	**4,844**	71
-	847	4	9	860	**6,161**	5,421
743	-	-	-	743	**994**	2,806
44,725	3,051	54	10	47,840	**70,020**	57,125
-	61	-	-	61	**61**	61
-	529	60	-	589	**589**	763
-	-	-	-	-	**5,534**	-
-	-	-	-	-	**1**	6
743,358	8,120	-	-	751,478	**752,102**	735,121
-	-	240	-	240	**240**	240
743,358	8,710	300	-	752,368	**758,527**	736,191
788,083	11,761	354	10	800,208	**828,547**	793,316
11,000	79,890	50	-	90,940	**99,810**	79,910
68,178	14,219	844	1,037	84,278	**214,754**	182,023
79,178	94,109	894	1,037	175,218	**314,564**	261,933
$ 867,261	$ 105,870	$ 1,248	$ 1,047	$ 975,426	**$ 1,143,111**	$ 1,055,249

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Governmental Enterprise Funds				
	N.C. Memorial Hospital	N.C. State Fair	U.S.S. N.C. Battleship Commission	Other Funds	Total Governmental Enterprise Funds
Operating Revenues:					
Sales and Services	$ 189,374	$ 3,362	$ 1,494	$ 97	$ 194,327
Investment Earnings	720	-	73	-	793
Rental and Lease Earnings	-	1,768	-	368	2,136
Fees, Licenses and Fines	-	98	-	-	98
Contributions	-	1	3	-	4
Federal Grants	-	-	-	-	-
Miscellaneous	9,893	6	3	-	9,902
Allowances and Uncollectible Accounts	(38,584)	-	-	-	(38,584)
Total Operating Revenues	161,403	5,235	1,573	465	168,676
Operating Expenses:					
Personal Services	114,207	2,367	530	273	117,377
Supplies and Materials	36,952	248	31	61	37,292
Services	14,791	1,140	289	75	16,295
Interest	-	-	-	-	-
Purchases for Resale	-	-	302	-	302
Depreciation/Amortization	9,900	431	132	57	10,520
Federal Grants	-	-	-	-	-
Other	7,478	689	42	11	8,220
Total Operating Expenses	183,328	4,875	1,326	477	190,006
Operating Income (Loss)	(21,925)	360	247	(12)	(21,330)
Nonoperating Revenues (Expenses):					
Gain (Loss) on Sale of Equipment	-	(35)	(3)	-	(38)
Investment Earnings	-	-	-	-	-
Donations	793	-	-	-	793
Interest Expense	-	-	-	-	-
Miscellaneous	(971)	(2)	-	-	(973)
Total Nonoperating Revenues (Expenses)	(178)	(37)	(3)	-	(218)
Income (Loss) Before Operating Transfers	(22,103)	323	244	(12)	(21,548)
Operating Transfers:					
Transfers In	27,350	-	-	-	27,350
Transfers Out	-	(561)	-	(2)	(563)
Total Operating Transfers In (Out)	27,350	(561)	-	(2)	26,787
Net Income (Loss) Before Extraordinary Loss	5,247	(238)	244	(14)	5,239
Extraordinary Loss	-	-	-	-	-
Net Income (Loss)	5,247	(238)	244	(14)	5,239
Fund Equity - July 1 - As Previously Reported	121,043	9,365	2,445	1,280	134,133
Restatements	-	-	-	(26)	(26)
Residual Equity Transfers:					
Transfers Out	-	-	-	-	-
Increase in Contributed Capital	-	-	-	-	-
Fund Equity - June 30	$ 126,290	$ 9,127	$ 2,689	$ 1,240	$ 139,346

Exhibit F-2

Public Benefit Authorities					Totals	
N.C. Housing Finance Agency	State Ports Authority	Ports Railway Commission	N.C. Agricultural Finance Authority	Total Public Benefit Authorities	June 30, 1988	June 30, 1987
$ -	$ 23,473	$ -	$ -	$ 23,473	$ 217,800	$ 191,689
79,951	-	-	98	80,049	80,842	81,845
-	-	252	-	252	2,388	1,920
2,730	-	-	-	2,730	2,828	2,207
-	-	-	-	-	4	16,391
15,066	-	-	-	15,066	15,066	-
580	-	-	-	580	10,482	5,622
-	(82)	-	-	(82)	(38,666)	(32,166)
98,327	23,391	252	98	122,068	290,744	267,508
-	14,804	97	137	15,038	132,415	126,928
-	1,437	76	2	1,515	38,807	36,346
4,366	2,537	6	8	6,917	23,212	13,499
68,706	-	-	-	68,706	68,706	72,776
-	-	-	-	-	302	481
1,699	3,800	70	-	5,569	16,089	15,802
14,588	-	-	-	14,588	14,588	15,845
-	1,134	4	138	1,276	9,496	3,000
89,359	23,712	253	285	113,609	303,615	284,677
8,968	(321)	(1)	(187)	8,459	(12,871)	(17,169)
-	(16)	-	-	(16)	(54)	(299)
-	614	40	-	654	654	794
-	-	-	-	-	793	520
-	(397)	-	-	(397)	(397)	(437)
-	-	(10)	-	(10)	(983)	5,415
-	201	30	-	231	13	5,993
8,968	(120)	29	(187)	8,690	(12,858)	(11,176)
20,074	-	-	163	20,237	47,587	23,705
-	-	-	-	-	(563)	(1,226)
20,074	-	-	163	20,237	47,024	22,479
29,042	(120)	29	(24)	28,927	34,166	11,303
(1,409)	-	-	-	(1,409)	(1,409)	(2,890)
27,633	(120)	29	(24)	27,518	32,757	8,413
51,545	74,329	865	1,061	127,800	261,933	253,632
-	-	-	-	-	(26)	-
-	-	-	-	-	-	(112)
-	19,900	-	-	19,900	19,900	-
$ 79,178	$ 94,109	$ 894	$ 1,037	$ 175,218	$ 314,564	$ 261,933

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Governmental Enterprise Funds				
	N.C. Memorial Hospital	N.C. State Fair	U.S.S. N.C. Battleship Commission	Other Funds	Total Governmental Enterprise Funds
Sources of Working Capital:					
Operations:					
Net Income (Loss)	$ 5,247	$ (238)	$ 244	$ (14)	$ 5,239
Items Not Requiring (Providing) Working Capital:					
Depreciation/Amortization	9,900	431	132	57	10,520
Loss on Sale or Transfer of Fixed Assets	-	35	3	-	38
Working Capital Provided by Operations	15,147	228	379	43	15,797
Proceeds from Sale of Bonds, Net of Issuance Cost	-	-	-	-	-
Proceeds from Sale of Investments, Net of Purchases	-	-	-	-	-
Other Sources:					
Repayments on Mortgage Loans	-	-	-	-	-
Proceeds from Sale of Fixed Assets	-	5	-	-	5
Miscellaneous	-	-	-	-	-
Capital Improvement Appropriation	-	-	-	-	-
Reduction in Non-Current Assets	2	-	17	-	19
Total Sources of Working Capital	15,149	233	396	43	15,821
Uses of Working Capital:					
Acquisition of Fixed Assets	9,180	50	154	-	9,384
Purchase of Investments, Net of Sales	-	-	-	-	-
Purchase of Mortgage Loans Receivable	-	-	-	-	-
Other Uses:					
Retirement of Lease Obligation	-	5	-	-	5
Increase in Investments	-	-	-	-	-
Retirement of Long-Term Debt	-	-	64	-	64
Deferred Charges - Maintenance Dredging	-	-	-	-	-
Increase in Non-Current Assets	505	-	-	-	505
Other Uses	1,442	-	-	25	1,467
Total Uses of Working Capital	11,127	55	218	25	11,425
Net Increase in Working Capital	$ 4,022	$ 178	$ 178	$ 18	$ 4,396
Elements of Net Increase (Decrease) In Working Capital:					
Cash and Cash Equivalents	$ (2,216)	$ 228	$ 227	$ 44	$ (1,717)
Investments	-	-	-	-	-
Receivables:					
Account Receivable	12,404	24	3	(10)	12,421
Intergovernmental Receivables	(2,163)	-	-	-	(2,163)
Interest Receivable	(3)	-	-	-	(3)
Interfund Receivables	(1)	-	-	-	(1)
Inventories	1,197	(25)	(21)	(9)	1,142
Prepaid Expenses	(87)	-	(1)	-	(88)
Payables:					
Accounts Payable	1,358	1	(12)	(2)	1,345
Accrued Payroll	(1,128)	(15)	(12)	-	(1,155)
Intergovernmental Payables	-	-	-	-	-
Interfund Payables	1	84	-	5	90
Notes Payable	-	-	-	-	-
Capital Leases Payable	-	(1)	-	8	7
Bonds Payable	-	-	(6)	-	(6)
Interest Payable	-	-	-	-	-
Deposits Payable	(4,773)	-	-	-	(4,773)
Accrued Vacation Leave	(567)	(77)	-	(18)	(662)
Deferred Revenue	-	(41)	-	-	(41)
Net Increase in Working Capital	$ 4,022	$ 178	$ 178	$ 18	$ 4,396

Exhibit F-3

Public Benefit Authorities					Totals	
N.C. Housing Finance Agency	State Ports Authority	Ports Railway Commission	N.C. Agricultural Finance Authority	Total Public Benefit Authorities	June 30, 1988	June 30, 1987
$ 27,633	$ (120)	$ 29	$ (24)	$ 27,518	$ 32,757	$ 8,413
1,699	3,800	70	-	5,569	16,089	15,802
-	16	-	-	16	54	299
29,332	3,696	99	(24)	33,103	48,900	24,514
77,339	-	-	-	77,339	77,339	57,613
85,460	-	-	-	85,460	85,460	82,373
40,573	-	-	-	40,573	40,573	47,452
-	11	1	-	12	17	43
39	1	2	-	42	42	278
-	19,900	-	-	19,900	19,900	-
-	-	-	-	-	19	1,550
232,743	23,608	102	(24)	256,429	272,250	213,823
-	15,175	2	-	15,177	24,561	21,476
24,048	-	-	-	24,048	24,048	7,006
123,041	-	-	-	123,041	123,041	62,648
-	-	-	-	-	5	12
-	-	-	-	-	-	1
62,145	649	50	-	62,844	62,908	131,284
-	124	-	-	124	124	129
-	-	-	-	-	505	2
-	-	-	-	-	1,467	716
209,234	15,948	52	-	225,234	236,659	223,274
$ 23,509	$ 7,660	$ 50	$ (24)	$ 31,195	$ 35,591	$ (9,451)
$ 30,695	$ 8,625	$ (33)	$ (14)	$ 39,273	$ 37,556	$ (3,695)
-	(337)	100	-	(237)	(237)	(2,040)
(17)	60	(7)	-	36	12,457	1,103
-	-	-	-	-	(2,163)	2,459
(120)	-	-	-	(120)	(123)	(2,133)
-	-	-	-	-	(1)	1
-	46	-	-	46	1,188	319
-	(103)	-	-	(103)	(191)	(213)
(651)	(536)	-	(1)	(1,188)	157	787
-	-	-	-	-	(1,155)	(864)
239	-	-	-	239	239	(239)
-	-	-	-	-	90	75
-	(1)	(10)	-	(11)	(11)	178
-	-	-	-	-	7	4
(2,119)	(25)	-	-	(2,144)	(2,150)	(265)
(6,371)	-	-	-	(6,371)	(6,371)	(3,591)
-	-	-	-	-	(4,773)	168
-	(69)	-	(9)	(78)	(740)	(434)
1,853	-	-	-	1,853	1,812	(1,071)
$ 23,509	$ 7,660	$ 50	$ (24)	$ 31,195	$ 35,591	$ (9,451)

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INTERNAL SERVICE FUNDS

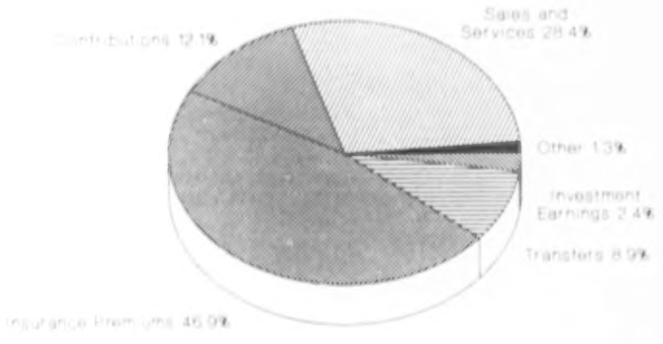
The Internal Service Funds are maintained to account for the operations of State agencies that provide services to other State agencies, departments or other governmental units on a cost reimbursement basis.

The following activities are included in the Internal Service Funds:

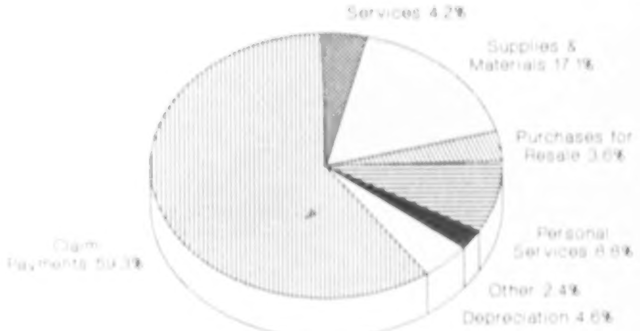
Highway Equipment
Prison Enterprises
Central Government Services:
  Telephone service
  Computer center
  Computer systems development
  Courier service
  Parking lots
  Office automation
  Temporary services
Motor Fleet Management
Educational Materials and School Buses:
  Textbooks
  School buses
  TV materials
State Health Plan
N.C. Teachers' and State Employees' Benefit Trust
Disability Income Plan of N.C.
Public School Insurance Fund
State Property Fire Insurance Fund
Other Service Funds:
  John Umstead Hospital laundry and other service activities
  Cherry Hospital laundry
  Cultural Resources Processing Center
  Clerk of Courts Mimeographing
  Administration Federal Surplus Property

The charts provide a breakdown of Internal Service Funds revenues and expenses for the year ended June 30, 1988 on the accrual basis of accounting. Under this basis, net income for all Internal Service Funds was $51 million in 1988.

Internal Service Fund Revenues



Internal Service Fund Expenses



COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS

June 30, 1988 (With Comparative Totals for 1987)
(Expressed in Thousands)

Assets	Highway Equipment	Prison Enterprises	Central Governmental Services	Motor Fleet Management	Educational Materials and School Buses
Current Assets:					
Cash and Cash Equivalents	$ -	$ 2,097	$ 6,851	$ 5,590	$ 11,865
Investments	-	-	383	-	-
Receivables:					
Accounts Receivable	-	2,667	6,324	1,928	30
Intergovernmental Receivables	-	417	-	-	6,962
Investment Earnings	-	-	-	-	-
Premiums	-	-	-	-	-
Contributions	-	-	-	-	-
Interfund Receivables	14,999	290	2,150	-	12
Inventories	8,265	8,991	267	79	8,563
Prepaid Expenses	-	29	11	-	-
Total Current Assets	23,264	14,491	15,986	7,597	27,432
Non-Current Assets:					
Accounts Receivable	-	-	1	-	-
Prepaid Expenses	-	-	8	-	-
Total Non-Current Assets	-	-	9	-	-
Fixed Assets:					
Land and Improvements	-	-	2,741	406	-
Buildings and Fixed Equipment	-	6,516	5,125	620	-
Other Structures and Improvements	-	-	2,022	4	-
Machinery and Equipment	-	11,026	26,992	229	-
Motor Vehicles and Motorized Equipment	185,740	-	11	45,699	-
Construction in Progress	-	58	-	-	-
Accumulated Depreciation	(117,954)	(9,346)	(10,774)	(13,652)	-
Total Fixed Assets	67,786	8,254	26,117	33,306	-
Total Assets	$ 91,050	$ 22,745	$ 42,112	$ 40,903	$ 27,432

Exhibit G-1
Page 1 of 2

State Health Plan	N.C. Teachers' and State Employees' Benefit Trust	Disability Income Plan of N.C.	Public School Insurance	State Property Fire Insurance	Other Funds	Totals	
						June 30, 1988	June 30, 1987
$ 48,322	$ 6,608	$ 10,461	$ 32,184	$ 11,788	$ 1,033	**$ 136,799**	$ 84,627
-	59,800	806	-	-	-	**60,989**	56,422
1,497	7	280	66	87	479	**13,365**	9,144
-	-	-	-	-	-	**7,379**	5,361
422	40	69	220	79	-	**830**	513
61	-	-	-	-	-	**61**	19
-	5,790	2,210	-	-	-	**8,000**	4,687
-	-	-	-	-	-	**17,451**	17,940
-	-	-	-	-	174	**26,339**	22,635
-	-	-	261	-	-	**301**	280
50,302	72,245	13,826	32,731	11,954	1,686	**271,514**	201,628
-	-	-	-	-	-	**1**	1
-	-	-	-	-	-	**8**	8
-	-	-	-	-	-	**9**	9
-	-	-	-	-	38	**3,185**	3,185
-	-	-	-	-	5,722	**17,983**	14,930
-	-	-	-	-	1,453	**3,479**	3,329
43	-	-	-	-	2,444	**40,734**	37,344
-	-	-	-	-	419	**231,869**	213,766
-	-	-	-	-	5,554	**5,612**	1,123
(22)	-	-	-	-	(4,974)	**(156,722)**	(140,781)
21	-	-	-	-	10,656	**146,140**	132,896
$ 50,323	$ 72,245	$ 13,826	$ 32,731	$ 11,954	$ 12,342	**$ 417,663**	$ 334,533

COMBINING BALANCE SHEET ALL INTERNAL SERVICE FUNDS (CONTINUED)

June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

Liabilities and Fund Equity	Highway Equipment	Prison Enterprises	Central Governmental Services	Motor Fleet Management	Educational Materials and School Buses
Liabilities:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	$ -	$ 1,105	$ 1,006	$ 1,019	$ 15,165
Accrued Payroll	-	24	48	5	1
Intergovernmental Payables	-	-	-	-	1,029
Interfund Payables	4	108	-	-	1
Notes Payable	-	-	-	-	-
Claims and Benefits Payable	-	-	-	-	-
Capital Leases Payable	-	-	5,000	-	-
Bonds Payable (Due Within One Year)	-	-	65	-	-
Interest Payable	-	-	50	-	-
Deposits Payable	-	-	-	-	-
Accrued Vacation Leave	-	-	543	66	-
Deferred Revenue	-	-	3	-	-
Total Current Liabilities	4	1,237	6,715	1,090	16,196
Long-term Liabilities:					
Interfund Payables	-	-	-	-	-
Notes Payable	-	-	-	-	-
Capital Leases Payable	-	-	4,389	-	-
Bonds Payable	-	-	1,350	-	-
Total Long-term Liabilities	-	-	5,739	-	-
Total Liabilities	4	1,237	12,454	1,090	16,196
Fund Equity:					
Contributed Capital	-	2,869	7,454	21,198	-
Retained Earnings	91,046	18,639	22,204	18,615	11,236
Total Fund Equity	91,046	21,508	29,658	39,813	11,236
Total Liabilities and Fund Equity	$ 91,050	$ 22,745	$ 42,112	$ 40,903	$ 27,432

Exhibit G-1
Page 2 of 2

State Health Plan	N.C. Teachers' and State Employees' Benefit Trust	Disability Income Plan of N.C.	Public School Insurance	State Property Fire Insurance	Other Funds	Totals	
						June 30, 1988	June 30, 1987
$ 492	$ -	$ -	$ 2	$ -	$ 173	$ 18,962	$ 10,166
-	-	-	-	-	7	85	104
-	-	-	-	-	-	1,029	340
-	706	-	-	6	84	909	1,120
-	-	-	-	-	18	18	13
66,325	1,138	30	596	85	-	68,174	48,960
-	-	-	-	-	-	5,000	3,904
-	-	-	-	-	-	65	60
-	-	-	-	-	-	50	52
-	-	-	-	-	19	19	15
-	-	-	-	-	37	646	-
487	-	-	917	446	43	1,896	1,061
67,304	1,844	30	1,515	537	381	96,853	65,795
-	-	-	-	-	-	-	2,792
-	-	-	-	-	-	-	34
-	-	-	-	-	-	4,389	6,524
-	-	-	-	-	-	1,350	1,415
-	-	-	-	-	-	5,739	10,765
67,304	1,844	30	1,515	537	381	102,592	76,560
-	-	-	-	-	11,037	42,558	36,634
(16,981)	70,401	13,796	31,216	11,417	924	272,513	221,339
(16,981)	70,401	13,796	31,216	11,417	11,961	315,071	257,973
$ 50,323	$ 72,245	$ 13,826	$ 32,731	$ 11,954	$ 12,342	$ 417,663	$ 334,533

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Highway Equipment	Prison Enterprises	Central Governmental Services	Motor Fleet Management	Educational Materials and School Buses
Operating Revenues:					
Sales and Services	$ 72,916	$ 33,345	$ 41,578	$ 16,420	$ 268
Rental and Lease Earnings	-	-	847	-	-
Fees, Licenses and Fines	-	-	-	267	503
Insurance Premiums	-	-	-	-	-
Contributions	-	-	-	1	-
Investment Earnings	-	-	-	-	-
Miscellaneous	-	-	-	-	25
Local Funds	-	-	-	-	3,052
Total Operating Revenues	72,916	33,345	42,425	16,688	3,848
Operating Expenses:					
Personal Services	22,290	5,882	10,184	1,302	5
Supplies and Materials	29,034	1,458	1,026	5,035	59,970
Services	1,833	1,411	19,406	205	122
Depreciation	14,700	1,057	4,402	6,006	-
Purchases for Resale	-	20,835	20	-	-
Claim Payments	-	-	-	-	-
Other	4,544	1,454	2,731	664	-
Total Operating Expenses	72,401	32,097	37,769	13,212	60,097
Operating Income (Loss)	515	1,248	4,656	3,476	(56,249)
Nonoperating Revenues (Expenses):					
Gain (Loss) on Sale of Property and Equipment	1,355	63	-	(309)	697
Insurance Recoveries	-	-	-	193	-
Interest Revenues (Expenses)	-	-	(97)	-	-
Miscellaneous	302	-	78	8	-
Total Nonoperating Revenues (Expenses)	1,657	63	(19)	(108)	697
Income (Loss) Before Operating Transfers	2,172	1,311	4,637	3,368	(55,552)
Operating Transfers:					
Operating Transfers In	-	-	267	1	55,399
Operating Transfers Out	-	(470)	(1)	-	(53)
Total Operating Transfers In (Out)	-	(470)	266	1	55,346
Net Income (Loss)	2,172	841	4,903	3,369	(206)
Fund Equity - July 1 - As Previously Reported	88,874	20,441	24,480	36,720	11,442
Restatements	-	100	250	(330)	-
Increase in Contributed Capital	-	126	25	54	-
Fund Equity - June 30	$ 91,046	$ 21,508	$ 29,658	$ 39,813	$ 11,236

Exhibit G-2

State Health Plan	N.C. Teachers' and State Employees' Benefit Plan	Disability Income Plan of N.C.	Public School Insurance	State Property Fire Insurance	Other Funds	Totals	
						June 30, 1988	June 30, 1987
$ 7,991	$ -	$ -	$ -	$ -	$ 5,606	$ 178,124	$ 155,461
-	-	-	-	-	55	902	847
-	826	-	-	-	178	1,774	2,161
289,090	-	-	2,374	2,605	-	294,069	219,773
-	62,904	12,667	-	-	-	75,572	51,435
4,488	5,931	401	2,868	1,080	3	14,771	11,823
106	-	-	31	-	22	184	54
-	-	-	-	-	-	3,052	2,205
301,675	69,661	13,068	5,273	3,685	5,864	568,448	443,759
7,182	-	-	363	-	3,231	50,439	38,928
3	-	-	4	-	1,688	98,218	104,012
244	-	-	45	-	812	24,078	22,286
7	-	-	-	-	496	26,668	24,992
-	-	-	-	-	-	20,855	17,619
276,232	59,708	2,502	2,113	603	-	341,158	279,415
24	52	171	526	945	31	11,142	18,203
283,692	59,760	2,673	3,051	1,548	6,258	572,558	505,455
17,983	9,901	10,395	2,222	2,137	(394)	(4,110)	(61,696)
-	-	-	-	-	6	1,812	2,181
-	-	-	-	-	-	193	106
-	-	-	-	-	(2)	(99)	(103)
-	-	-	-	-	36	424	(10)
-	-	-	-	-	40	2,330	2,174
17,983	9,901	10,395	2,222	2,137	(354)	(1,780)	(59,522)
-	-	-	-	-	-	55,667	52,723
(7)	(64)	-	-	(2,146)	-	(2,741)	(3,443)
(7)	(64)	-	-	(2,146)	-	52,926	49,280
17,976	9,837	10,395	2,222	(9)	(354)	51,146	(10,242)
(34,977)	60,564	3,401	28,994	11,426	6,608	257,973	264,588
20	-	-	-	-	(12)	28	-
-	-	-	-	-	5,719	5,924	3,627
$(16,981)	$ 70,401	$ 13,796	$ 31,216	$ 11,417	$ 11,961	$ 315,071	$ 257,973

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Highway Equipment	Prison Enterprises	Central Governmental Services	Motor Fleet Management	Educational Materials and School Buses
Sources of Working Capital:					
Operations:					
Net Income (Loss)	$ 2,172	$ 841	$ 4,903	$ 3,369	$ (206)
Items Not Requiring (Providing) Working Capital:					
Depreciation	14,700	1,057	4,402	6,006	-
(Gain) Loss on Sale of Fixed Assets	-	(63)	-	309	-
Working Capital Provided by Operations	16,872	1,835	9,305	9,684	(206)
Other Sources:					
Proceeds from Sale of Fixed Assets	125	-	35	1,811	-
Proceeds from Issuance of Capital Leases	-	-	3,591	-	-
Donated Capital	-	126	25	54	-
Proceeds from Issuance of Long-Term Debt	-	-	-	-	-
Other	-	100	250	-	-
Total Sources of Working Capital	16,997	2,061	13,206	11,549	(206)
Uses of Working Capital:					
Acquisition of Fixed Assets	20,596	2,145	5,011	11,588	-
Other Uses:					
Retirement of Revenue Bonds	-	-	65	-	-
Reclassification on Retirement of Long-Term Debt	-	-	5,726	-	-
Transfer of Equipment from Dept. of Transportation	-	-	-	-	-
Other	-	-	-	-	-
Total Uses of Working Capital	20,596	2,145	10,802	11,588	-
Net Increase (Decrease) in Working Capital	$ (3,599)	$ (84)	$ 2,404	$ (39)	$ (206)
Elements of Net Increase (Decrease) In Working Capital:					
Cash and Cash Equivalents	$ -	$ (2,662)	$ (314)	$ 78	$ 3,936
Investments	-	-	(8)	-	-
Receivables:					
Accounts Receivable	-	708	2,043	284	(22)
Intergovernmental Receivables	-	103	-	-	1,915
Investment Earnings	-	-	-	-	-
Premiums	-	-	-	-	-
Contributions	-	-	-	-	-
Interfund Receivables	(2,757)	114	2,150	-	12
Inventories	(841)	1,781	(60)	(13)	2,792
Prepaid Expenses	-	29	10	-	-
Payables:					
Accounts Payable	-	(154)	207	(317)	(8,147)
Accrued Payroll	-	-	20	(5)	1
Intergovernmental Payables	-	3	-	-	(692)
Interfund Payables	(1)	(6)	-	-	(1)
Notes Payable	-	-	-	-	-
Claims and Benefits Payable	-	-	-	-	-
Capital Leases Payable	-	-	(1,096)	-	-
Bonds Payable	-	-	(5)	-	-
Interest Payable	-	-	2	-	-
Deposits Payable	-	-	-	-	-
Accrued Vacation Payable	-	-	(543)	(66)	-
Deferred Revenue	-	-	(2)	-	-
Net Increase (Decrease) in Working Capital	$ (3,599)	$ (84)	$ 2,404	$ (39)	$ (206)

Exhibit G-3

State Health Plan	N.C. Teachers' and State Employees' Benefit Plan	Disability Income Plan of N.C.	Public School Insurance	State Property Fire Insurance	Other Funds	Totals	
						June 30, 1988	June 30, 1987
$ 17,976	$ 9,837	$ 10,395	$ 2,222	$ (9)	$ (354)	$ 51,146	$ (10,242)
7	-	-	-	-	496	26,668	24,991
-	-	-	-	-	(6)	240	872
17,983	9,837	10,395	2,222	(9)	136	78,054	15,621
-	-	-	-	-	6	1,977	4,087
-	-	-	-	-	-	3,591	7,041
-	-	-	-	-	5,719	5,924	1,918
-	-	-	-	-	-	-	2,557
-	-	-	-	-	-	350	3,281
17,983	9,837	10,395	2,222	(9)	5,861	89,896	34,505
8	-	-	-	-	5,883	45,231	30,747
-	-	-	-	-	-	65	60
-	-	-	-	-	-	5,726	10,343
-	-	-	-	-	-	-	2,282
-	-	-	-	-	46	46	1,338
8	-	-	-	-	5,929	51,068	44,770
$ 17,975	$ 9,837	$ 10,395	$ 2,222	$ (9)	$ (68)	$ 38,828	$ (10,265)
$ 36,467	$ 2,493	$ 9,385	$ 2,736	$ 82	$ (29)	$ 52,172	$ (35,495)
-	5,953	(1,378)	-	-	-	4,567	9,523
1,057	(4)	55	50	35	15	4,221	647
-	-	-	-	-	-	2,018	4,776
241	9	60	11	(4)	-	317	(286)
42	-	-	-	-	-	42	(199)
-	1,103	2,210	-	-	-	3,313	501
-	-	-	-	-	(8)	(489)	11,140
-	-	-	-	-	45	3,704	(18,707)
-	-	-	(18)	-	-	21	(58)
(451)	-	-	(2)	-	68	(8,796)	8,277
-	-	-	-	-	3	19	1,087
-	-	-	-	-	-	(689)	(333)
-	290	-	-	2	(73)	211	(988)
-	-	-	-	-	(5)	(5)	-
(18,913)	(7)	63	(281)	(76)	-	(19,214)	10,942
-	-	-	-	-	-	(1,096)	(1,258)
-	-	-	-	-	-	(5)	(5)
-	-	-	-	-	-	2	1
-	-	-	-	-	(4)	(4)	(1)
-	-	-	-	-	(37)	(646)	-
(468)	-	-	(274)	(48)	(43)	(835)	171
$ 17,975	$ 9,837	$ 10,395	$ 2,222	$ (9)	$ (68)	$ 38,828	$ (10,265)

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TRUST AND AGENCY FUNDS

The Trust and Agency Funds are maintained to account for assets held by the State in the capacity of a trustee or agency. These funds include Expendable Trusts, Nonexpendable Trusts, Pension Trusts and Agency Funds.

The following activities are included in the Trust and Agency Funds:

1. **Expendable Trusts** (modified accrual basis of accounting) - Various trust funds administered by the State, including significant funds for unemployment compensation, the state escheats fund, the 401-K Supplemental Retirement Income Fund and numerous departmental trusts.

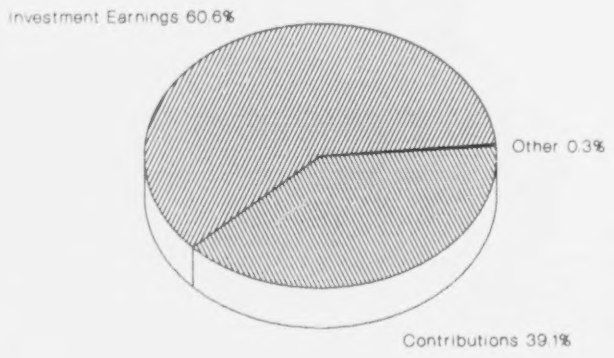
2. **Nonexpendable Trusts** (accrual basis of accounting) - Seven trust funds administered by the State primarily related to loan programs, wildlife endowment program and the clean water program.

3. **Pension Trusts** (accrual basis of accounting) - Six trust funds reflecting the activities of the retirement systems administered by the State. Employees participate in the respective retirement system to which their agency contributes.

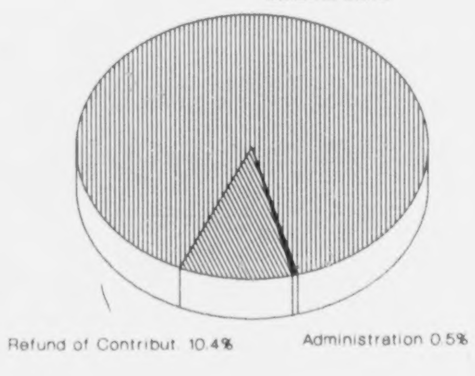
4. **Agency Funds** (where Assets equal Liabilities) - Numerous departmental funds and Employee Deferred Compensation Plan for which the State acts solely in a custodial capacity.

The charts provide a breakdown of Pension Trust Funds revenues and expenses for the year ended June 30, 1988, on the accrual basis of accounting.

Pension Trust Fund Revenues



Pension Trust Fund Expenses



COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS

June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Expendable Trust Funds	Nonexpendable Trust Funds	Pension Trust Funds
Assets			
Cash and Cash Equivalents	$ 1,384,216	$ 36,994	$ 21,225
Investments	171,166	23,416	13,206,725
Receivables:			
Accounts Receivable	10,307	-	159
Intergovernmental Receivables	1,062	2,083	-
Investment Earnings	323	1,111	454
Contributions	-	-	77,255
Interfund Receivables	1,456	4,122	-
Notes Receivable	10,163	75,494	-
Inventories	718	-	-
Securities Held in Trust	-	-	-
Prepaid Expenses	-	-	-
Total Assets	$ 1,579,411	$ 143,220	$ 13,305,818
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable and Accrued Liabilities:			
Accounts Payable	$ 815	$ -	$ -
Accrued Payroll	7	-	-
Intergovernmental Payables	104	-	-
Due to Plan Participants	-	-	-
Interfund Payables	4,590	10	2
Claims and Benefits Payable	611	-	104
Bonds Payable	-	-	-
Interest Payable	-	-	-
Deposits Payable	-	-	-
Deferred Revenue	4,624	-	-
Total Liabilities	10,751	10	106
Fund Balances:			
Reserved	1,568,660	143,210	13,305,712
Total Fund Balances	1,568,660	143,210	13,305,712
Total Liabilities and Fund Balances	$ 1,579,411	$ 143,220	$ 13,305,818

Exhibit H-1

Agency			Totals	
Departmental	Deferred Compensation Plan	Total Agency	June 30, 1988	June 30, 1987
$ 367,968	$ 1,094	$ 369.062	$ 1,811,497	$ 1,458,097
-	125,717	125,717	13,527,024	11,745,579
888	-	888	11,354	19,901
1,846	-	1,846	4,991	5,378
1,774	-	1,774	3,662	2,067
-	1,429	1,429	78,684	77,138
8,123	-	8,123	13,701	12,929
100	-	100	85,757	93,737
-	-	-	718	628
230,628	-	230,628	230,628	211,509
-	-	-	-	246
$ 611,327	$ 128,240	$ 739,567	$ 15,768,016	$ 13,627,209
$ 1,900	$ -	$ 1,900	$ 2,715	$ 5,308
1	-	1	8	8
205,070	-	205,070	205,174	54,670
-	128,240	128,240	128,240	110,601
27,792	-	27,792	32,394	27,383
7,211	-	7,211	7,926	8,101
-	-	-	-	25,620
-	-	-	-	488
369,353	-	369,353	369,353	319,122
-	-	-	4,624	20,816
611,327	128,240	739,567	750,434	572,117
-	-	-	15,017,582	13,055,092
-	-	-	15,017,582	13,055,092
$ 611,327	$ 128,240	$ 739,567	$ 15,768,016	$ 13,627,209

COMBINING BALANCE SHEET EXPENDABLE TRUST FUNDS

June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Employment Security Commission	Escheats	401-K Supplemental Retirement Income Plan	Departmental
Assets				
Cash and Cash Equivalents	$ 1,349,753	$ 5,740	$ 23	$ 28,700
Investments	-	47,254	123,906	6
Receivables:				
Accounts Receivable	10,057	-	-	250
Intergovernmental Receivables	1,062	-	-	-
Investment Earnings	-	38	-	285
Interfund Receivables	398	-	706	352
Notes Receivable	-	-	6,773	3,390
Inventories	-	-	-	718
Securities Held in Trust	-	-	-	-
Total Assets	$ 1,361,270	$ 53,032	$ 131,408	$ 33,701
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable and Accrued Liabilities:				
Accounts Payable	$ 614	$ 119	$ -	$ 82
Accrued Payroll	-	-	-	7
Intergovernmental Payables	-	-	-	104
Interfund Payables	-	4,122	-	468
Claims and Benefits Payable	476	-	-	135
Deposits Payable	-	-	-	-
Deferred Revenue	4,581	-	-	43
Total Liabilities	5,671	4,241	-	839
Fund Balances:				
Reserved	1,355,599	48,791	131,408	32,862
Total Fund Balances	1,355,599	48,791	131,408	32,862
Total Liabilities and Fund Balances	$ 1,361,270	$ 53,032	$ 131,408	$ 33,701

Exhibit II-2

Totals	
June 30, 1988	June 30, 1987
$ 1,384,216	$ 1,228,345
171,166	135,183
10,307	18,898
1,062	2,173
323	402
1,456	1,343
10,163	9,767
718	628
-	106
$ 1,579,411	$ 1,396,845
$ 815	$ 3,923
7	8
104	610
4,590	4,044
611	5,282
-	120
4,624	20,816
10,751	34,803
1,568,660	1,362,042
1,568,660	1,362,042
$ 1,579,411	$ 1,396,845

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30,1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Employment Security Commission	Escheats	401-K Supplemental Retirement Income Plan	Departmental
Revenues:				
Taxes	$ 236,612	$ -	$ -	$ -
Federal Funds	5,946	-	-	68
Local Funds	-	-	-	151
Investment Earnings	108,392	4,565	7,092	2,296
Sales and Services	-	-	-	12,484
Sale, Rental and Lease of Property	-	-	-	238
Fees, Licenses, and Fines	-	-	2,412	2,748
Contributions	-	-	29,830	1,337
Miscellaneous	462	45	380	1,002
Total Revenues	351,412	4,610	39,714	20,324
Expenditures:				
Current:				
General Government	-	443	-	1,002
Public Safety and Regulation	-	-	-	496
Corrections	-	-	-	10,902
Education	-	-	-	673
Health, Welfare and Rehabilitation	-	-	-	1,869
Resource Development and Preservation	-	-	-	165
Agriculture	-	-	-	594
Claims and Benefits	179,942	-	5,257	1,958
Total Expenditures	179,942	443	5,257	17,659
Excess Revenues Over Expenditures	171,470	4,167	34,457	2,665
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	1,782
Operating Transfers Out	-	(4,122)	-	(831)
Funds Escheated	-	7,784	-	-
Refund of Funds Escheated	-	(1,390)	-	-
Transfer of Children's Hospital to Private Sector	-	-	-	(444)
Total Other Financing Sources (Uses)	-	2,272	-	507
Excess of Revenues and Other Sources Over Expenditures and Other Uses	171,470	6,439	34,457	3,172
Fund Balances - July 1 - As Previously Reported	1,184,129	42,352	96,951	38,610
Restatements	-	-	-	(2)
Residual Equity Transfers:				
Transfers Out	-	-	-	(9,008)
Increase in Reserve for Related Assets	-	-	-	90
Fund Balances - June 30	$ 1,355,599	$ 48,791	$ 131,408	$ 32,862

Exhibit II-3

Totals	
June 30, 1988	June 30, 1987
$ 236,612	$ 307,804
6,014	9,202
151	243
122,345	118,840
12,484	11,026
238	233
5,160	2,889
31,167	17,464
1,889	2,689
416,060	470,390
1,445	888
496	431
10,902	9,572
673	699
1,869	1,916
165	73
594	517
187,157	231,076
203,301	245,172
212,759	225,218
1,782	989
(4,953)	(4,819)
7,784	7,058
(1,390)	(1,162)
(444)	-
2,779	2,066
215,538	227,284
1,362,042	1,134,678
(2)	-
(9,008)	-
90	80
$ 1,568,660	$ 1,362,042

COMBINING BALANCE SHEET
NONEXPENDABLE TRUST FUNDS

June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Public Education Loan Funds	Insured Student Loan Program	Student Loan Fund	Community Colleges Loans and Scholarships
Assets				
Cash and Cash Equivalents	$ 4,571	$ 7,069	$ -	$ 4,235
Investments	-	22,819	-	597
Receivables:				
Intergovernmental Receivables	-	2,082	-	1
Investment Earnings	290	398	-	31
Interfund Receivables	-	4,122	-	-
Notes Receivable	9,124	66,252	-	18
Prepaid Expenses	-	-	-	-
Total Assets	$ 13,985	$ 102,742	$ -	$ 4,882
Liabilities and Fund Balances				
Liabilities:				
Interfund Payables	-	-	-	9
Bonds Payable	-	-	-	-
Interest Payable	-	-	-	-
Total Liabilities	-	-	-	9
Fund Balances:				
Reserved	13,985	102,742	-	4,873
Total Fund Balances	13,985	102,742	-	4,873
Total Liabilities and Fund Balances	$ 13,985	$ 102,742	$ -	$ 4,882

Exhibit II-4

Wildlife Endowment Program	Clean Water Fund	Other Funds	Totals June 30, 1988	Totals June 30, 1987
$ 14,897	$ 5,870	$ 352	**$ 36,994**	$ 28,066
-	-	-	**23,416**	32,187
-	-	-	**2,083**	1,927
101	290	1	**1,111**	942
-	-	-	**4,122**	3,572
-	-	100	**75,494**	83,870
-	-	-	**-**	246
$ 14,998	$ 6,160	$ 453	**$ 143,220**	$ 150,810
1	-	-	**10**	16
-	-	-	**-**	25,620
-	-	-	**-**	488
1	-	-	**10**	26,124
14,997	6,160	453	**143,210**	124,686
14,997	6,160	453	**143,210**	124,686
$ 14,998	$ 6,160	$ 453	**$ 143,220**	$ 150,810

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES NONEXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Public Education Loan Funds	Insured Student Loan Program	Student Loan Fund	Community Colleges Loans and Scholarships
Operating Revenues:				
Federal Funds	$ -	$ [illegible]	$ -	$ -
Investment Earnings	449	[illegible]	-	455
Interest Earnings on Loans	190	4,198	-	-
Fees, Licenses and Fines	-	-	-	-
Contributions	-	-	-	90
Miscellaneous	-	-	-	-
Total Operating Revenues	639	8,498	-	545
Operating Expenses:				
Personal Services	-	-	-	5
Services	-	1,332	-	-
Interest	-	353	-	-
Loan Cancellation and Write-offs	328	-	-	-
Other Expenses	111	293	-	489
Total Operating Expenses	439	1,978	-	494
Operating Income	200	6,520	-	51
Operating Transfers:				
Operating Transfers In	3,800	4,122	-	-
Operating Transfers Out	(41)	-	-	-
Total Operating Transfers In (Out)	3,759	4,122	-	-
Net Income	3,959	10,642	-	51
Fund Balances - July 1 - As Previously Reported	10,026	92,100	4,186	4,822
Restatements	-	-	(55)	-
Residual Equity Transfers:				
Transfers Out	-	-	(4,131)	-
Fund Balances - June 30	$ 13,985	$ 102,742	$ -	$ 4,873

Exhibit H-5

Wildlife Endowment Program	Clean Water Fund	Other Funds	Totals	
			June 30, 1988	June 30, 1987
$ -	$ -	$ -	**$ 2,646**	$ 2,930
1,271	475	15	**4,319**	3,989
-	-	-	**4,388**	4,783
579	-	25	**604**	7,175
15	-	1	**106**	235
-	-	-	**-**	22
1,865	475	41	**12,063**	19,134
-	-	-	**5**	4
-	-	-	**1,332**	1,125
-	-	-	**353**	2,025
-	-	-	**328**	1,082
-	-	-	**893**	726
-	-	-	**2,911**	4,962
1,865	475	41	**9,152**	14,172
-	5,700	-	**13,622**	7,702
(8)	(15)	-	**(64)**	(547)
(8)	5,685	-	**13,558**	7,155
1,857	6,160	41	**22,710**	21,327
13,140	-	412	**124,686**	103,361
-	-	-	**(55)**	(2)
-	-	-	**(4,131)**	-
$ 14,997	$ 6,160	$ 453	**$ 143,210**	$ 124,686

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION NONEXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Public Education Loan Funds	Insured Student Loan Program	Student Loan Fund	Community Colleges Loans and Scholarships
Sources of Working Capital:				
Operations:				
Net Income	$ 3,959	$ 10,642	$ -	$ 51
Items Not Requiring Working Capital:				
Amortization	-	246	-	-
Working Capital Provided by Operations	3,959	10,888	-	51
Proceeds from Sale of Investments	-	58,028	-	-
Other Sources:				
Principal Collections on Loans	-	12,614	-	-
Collection of Long-Term Notes Receivable	-	-	-	-
Total Sources of Working Capital	3,959	81,530	-	51
Uses of Working Capital:				
Purchase of Investments	-	49,250	-	-
Other Uses:				
Retirement of Bonds	-	25,620	-	-
Issuance of Student Loans	-	3,786	-	-
Residual Equity Transfer	-	-	4,131	-
Other	-	-	55	-
Total Uses of Working Capital	-	78,656	4,186	-
Net Increase (Decrease) in Working Capital	$ 3,959	$ 2,874	$ (4,186)	$ 51
Elements of Net Increase (Decrease) in Working Capital:				
Cash and Cash Equivalents	$ 272	$ 1,608	$ (752)	$ 51
Investments	-	-	-	8
Receivables:				
Intergovernmental Receivables	-	155	-	1
Investment Earnings	18	73	(241)	-
Interfund Receivables	-	550	-	-
Notes Receivable	3,669	-	(3,193)	-
Interfund Payables	-	-	-	(9)
Interest Payable	-	488	-	-
Net Increase (Decrease) in Working Capital	$ 3,959	$ 2,874	$ (4,186)	$ 51

Exhibit H-6

Wildlife Endowment Program	Clean Water Fund	Other Funds	Totals	
			June 30, 1988	June 30, 1987
$ 1,857	$ 6,160	$ 41	**$ 22,710**	$ 21,327
-	-	-	**246**	244
1,857	6,160	41	**22,956**	21,571
-	-	-	**58,028**	80,270
-	-	-	**12,614**	12,630
-	-	25	**25**	25
1,857	6,160	66	**93,623**	114,496
-	-	-	**49,250**	63,423
-	-	-	**25,620**	33,790
-	-	-	**3,786**	4,224
-	-	-	**4,131**	-
-	-	-	**55**	-
-	-	-	**82,842**	101,437
$ 1,857	$ 6,160	$ 66	**$ 10,781**	$ 13,059
$ 1,813	$ 5,870	$ 66	**$ 8,928**	$ 12,054
-	-	-	**8**	117
-	-	-	**156**	355
29	290	-	**169**	(569)
-	-	-	**550**	226
-	-	-	**476**	(13)
15	-	-	**6**	(16)
-	-	-	**488**	905
$ 1,857	$ 6,160	$ 66	**$ 10,781**	$ 13,059

COMBINING BALANCE SHEET
PENSION TRUST FUNDS

June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Teachers' and State Employees' Retirement System	Consolidated Judicial Retirement System	Legislative Retirement System
Assets			
Cash and Cash Equivalents	$ 15,550	$ 545	$ 174
Investments	10,717,213	73,074	2,948
Receivables:			
Accounts Receivable	94	-	-
Investment Earnings	365	6	1
Contributions	62,721	650	61
Total Assets	$ 10,795,943	$ 74,275	$ 3,184
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable and Accrued Liabilities:			
Accounts Payable	$ -	$ -	$ -
Interfund Payables	-	-	-
Benefits Payable	72	-	-
Total Liabilities	72	-	-
Fund Balances:			
Reserved	10,795,871	74,275	3,184
Total Fund Balances	10,795,871	74,275	3,184
Total Liabilities and Fund Balances	$ 10,795,943	$ 74,275	$ 3,184

Exhibit II-7

Firemen's & Rescue Squad Workers' Pension Fund	North Carolina National Guard Pension Fund	Local Governmental Employees' Retirement System	Totals	
			June 30, 1988	June 30, 1987
$ 763	$ 496	$ 3,697	**$ 21,225**	$ 21,886
59,727	5,296	2,348,467	**13,206,725**	11,470,554
-	-	65	**159**	166
8	4	70	**454**	515
-	-	13,823	**77,255**	75,360
$ 60,498	$ 5,796	$ 2,366,122	**$ 13,305,818**	$ 11,568,481
$ -	$ -	$ -	**$ -**	$ 11
2	-	-	**2**	-
-	1	31	**104**	106
2	1	31	**106**	117
60,496	5,795	2,366,091	**13,305,712**	11,568,364
60,496	5,795	2,366,091	**13,305,712**	11,568,364
$ 60,498	$ 5,796	$ 2,366,122	**$ 13,305,818**	$ 11,568,481

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES PENSION TRUST FUNDS

For the Fiscal Year Ended June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Teachers' and State Employees' Retirement System	Consolidated Judicial Retirement System	Legislative Retirement System
Operating Revenues:			
Investment Earnings	$ 1,154,532	$ 7,732	$ 283
Fees, Licenses and Fines	-	-	-
Contributions	712,459	7,849	740
Miscellaneous	196	-	-
Total Operating Revenues	1,867,187	15,581	1,023
Operating Expenses:			
Administration	2,682	18	2
Benefits	440,975	4,922	167
Refund of Contributions	38,607	18	2
Other Expenses	-	-	-
Total Operating Expenses	482,264	4,958	171
Operating Income	1,384,923	10,623	852
Fund Balances - July 1 - As Previously Reported	9,410,948	63,652	2,332
Fund Balances - June 30	$ 10,795,871	$ 74,275	$ 3,184

Exhibit H-8

Firemen's & Rescue Squad Workers' Pension Fund	North Carolina National Guard Pension Fund	Local Governmental Employees' Retirement System	Totals	
			June 30, 1988	June 30, 1987
$ 6,425	$ 558	$ 248,745	**$ 1,418,275**	$ 1,141,505
-	-	4,200	**4,200**	2,562
8,489	1,800	181,094	**912,431**	871,213
-	-	13	**209**	406
14,914	2,358	434,052	**2,335,115**	2,015,686
-	11	810	**3,523**	3,370
5,737	721	79,807	**532,329**	476,677
354	-	22,934	**61,915**	55,850
-	-	-	**-**	21
6,091	732	103,551	**597,767**	535,918
8,823	1,626	330,501	**1,737,348**	1,479,768
51,673	4,169	2,035,590	**11,568,364**	10,088,596
$ 60,496	$ 5,795	$ 2,366,091	**$ 13,305,712**	$ 11,568,364

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
PENSION TRUST FUNDS

For the Fiscal Year Ended June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

	Teachers' and State Employees' Retirement System	Consolidated Judicial Retirement System	Legislative Retirement System
Sources of Working Capital:			
Operations:			
Net Income	$ 1,384,923	$ 10,623	$ 852
Total Sources of Working Capital	1,384,923	10,623	852
Uses of Working Capital:			
None	-	-	-
Net Increase in Working Capital	$ 1,384,923	$ 10,623	$ 852
Elements of Net Increase (Decrease) in Working Capital:			
Cash and Cash Equivalents	$ (256)	$ 26	$ (12)
Investments	1,383,904	10,549	863
Receivables:			
Accounts Receivable	(13)	-	-
Investment Earnings	(57)	(1)	-
Contributions	1,343	49	1
Payables:			
Accounts Payable	-	-	-
Interfund Payables	-	-	-
Benefits Payable	2	-	-
Net Increase in Working Capital	$ 1,384,923	$ 10,623	$ 852

Exhibit II-9

Firemen's & Rescue Squad Workers' Pension Fund	North Carolina National Guard Pension Fund	Local Governmental Employees' Retirement System	Totals	
			June 30, 1988	June 30, 1987
$ 8,823	$ 1,626	$ 330,501	**$ 1,737,348**	$ 1,479,768
8,823	1,626	330,501	**1,737,348**	1,479,768
-	-	-	**-**	-
$ 8,823	$ 1,626	$ 330,501	**$ 1,737,348**	$ 1,479,768
$ (685)	$ 131	$ 135	**$ (661)**	$ 7,067
9,502	1,491	329,862	**1,736,171**	1,465,103
-	-	6	**(7)**	22
(3)	1	(1)	**(61)**	132
-	-	502	**1,895**	7,486
11	-	-	**11**	(11)
(2)	-	-	**(2)**	-
-	3	(3)	**2**	(31)
$ 8,823	$ 1,626	$ 330,501	**$ 1,737,348**	$ 1,479,768

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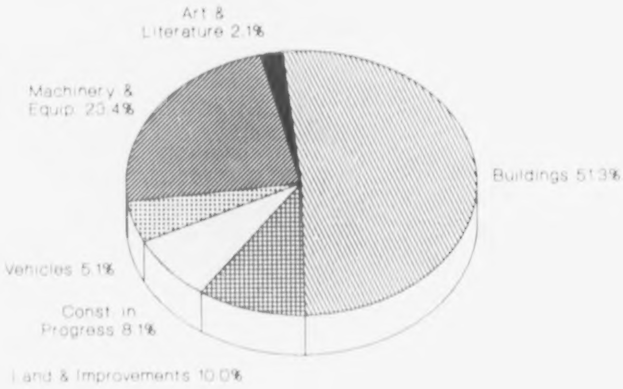
GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is maintained to account for fixed assets acquired for general governmental purposes, except for those accounted for in Proprietary Funds or University Funds.

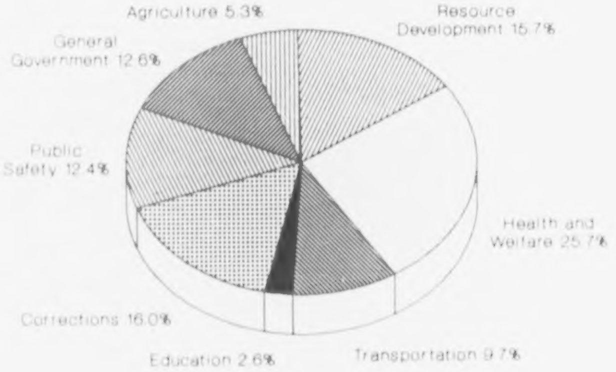
General Fixed Assets purchased are valued at cost where historic records are available and at estimated historic cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. General fixed assets totaled $1.358 billion at June 30, 1988. Infrastructures, which include highways, bridges and rights-of-way, are not capitalized. Depreciation expense is not recognized in the General Fixed Assets Account Group.

The charts provide a breakdown and a comparison of fixed assets by class and by functional uses as of June 30, 1988.

General Fixed Assets by Class



General Fixed Assets by Functional Use



SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION

June 30, 1988

Exhibit I-1

(Expressed in Thousands)

Function	Land and Improvements	Buildings and Fixed Equipment	Machinery and Equipment	Motor Vehicles and Motorized Equipment	Art Works and Literature	Construction in Progress	Totals
General Government	$ 22,747	$ 95,492	$ 16,738	$ 494	$ 260	$ 35,767	**$ 171,498**
Public Safety and Regulation	14,510	57,562	59,258	29,665	754	6,747	**168,496**
Corrections	4,754	176,963	24,003	-	-	12,041	**217,761**
Education	1,091	7,368	15,455	266	419	10,708	**35,307**
Transportation	13,226	49,079	69,212	42	-	-	**131,559**
Health, Welfare and Rehabilitation	3,324	231,866	84,541	7,316	772	20,793	**348,612**
Resource Development and Preservation	57,687	54,720	35,544	28,261	26,502	10,783	**213,497**
Agriculture	18,051	22,887	12,910	3,618	77	13,245	**70,788**
Total General Fixed Assets	$ 135,390	$ 695,937	$ 317,661	$ 69,662	$ 28,784	$ 110,084	**$ 1,357,518**

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION

For the Fiscal Year Ended June 30, 1988

Exhibit I-2

(Expressed in Thousands)

Function	Balance July 1, 1987	Prior Year Adjustments	Additions	Deletions	Balance June 30, 1988
General Government	$ 139,400	$ (1,027)	$ 33,857	$ 732	$ 171,498
Public Safety and Regulation	149,366	(162)	25,988	6,696	168,496
Corrections	210,445	-	23,746	16,430	217,761
Education	31,908	-	4,265	866	35,307
Transportation	128,958	344	15,231	12,974	131,559
Health, Welfare and Rehabilitation	326,684	384	27,494	5,950	348,612
Resource Development and Preservation	132,007	65,768	22,810	7,088	213,497
Agriculture	62,040	-	9,865	1,117	70,788
Total General Fixed Assets	$ 1,180,808	$ 65,307	$ 163,256	$ 51,853	$ 1,357,518

GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

The General Long-Term Obligations Account Group is maintained to account for the outstanding principal balances of the State's long-term obligations not reported in Proprietary or University Funds.

The following activities are included in the General Long-Term Obligations Account Group:

General Obligation Bonds for Capital Projects and certain revenue-producing Capital Projects;

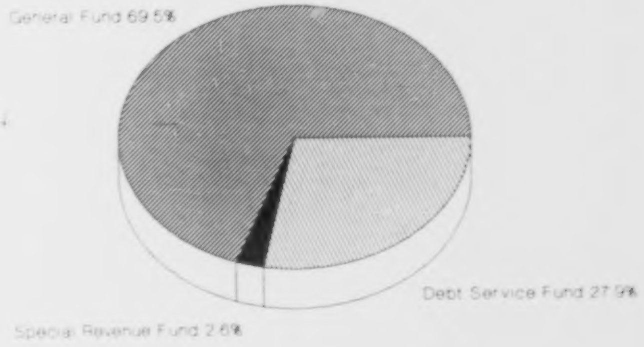
The long-term portion of capital lease obligations;

The long-term portion of the liability for accrued vacation; and,

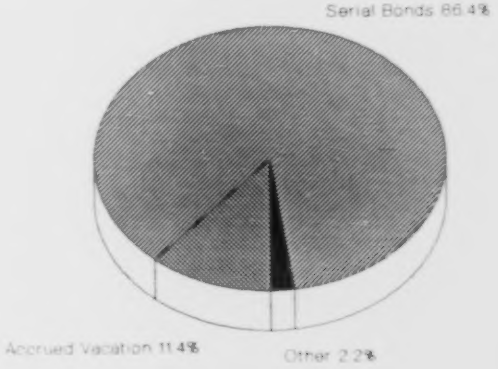
The long-term portion of accounts payable relating primarily to Workmen's Compensation claims.

The charts provide a breakdown of the type of long-term obligations by class and the sources of repayment of those obligations, as of June 30, 1988. General Long-Term Obligations totaled $820 million at June 30, 1988.

Amount to be Provided for the Retirement of General Long-Term Obligations



General Long-Term Obligations



COMPARATIVE STATEMENT OF GENERAL LONG-TERM OBLIGATIONS

June 30, 1988 and 1987

Exhibit J-1

(Expressed in Thousands)

Amount Available and to be Provided for the Payment of General Long-Term Obligations	June 30, 1988	June 30, 1987
Amount Available In Debt Service Funds	$ 2,965	$ 4,180
Amount to be Provided for Retirement of General Long-Term Obligations:		
By General Fund	567,411	609,515
By Special Revenue Funds	21,150	18,669
By Debt Service Funds		
Highway Bonds	226,750	248,380
Alcoholic Beverage Control Commission Revenue Bonds	1,257	1,896
Horse and Livestock Facility Revenue Bonds	258	708
Total Available and to be Provided	$ 819,791	$ 883,348

General Long-Term Obligations	June 30, 1988	June 30, 1987
Accounts Payable	$ 11,790	$ 12,610
Capital Leases Payable	1,695	1,077
Bonds Payable:		
Revenue Bonds Payable	4,480	5,164
Serial Bonds Payable	708,160	775,500
Accrued Vacation Leave	93,666	88,997
Total General Long-Term Obligations	$ 819,791	$ 883,348

UNIVERSITY FUNDS

The University Funds account for the operations of sixteen campuses of the Consolidated University System and UNC-General Administration. The University Funds are presented in conformity with the National Association of College and University Business Officers (NACUBO) and the American Institute of Certified Public Accountants (AICPA) recommended formats.

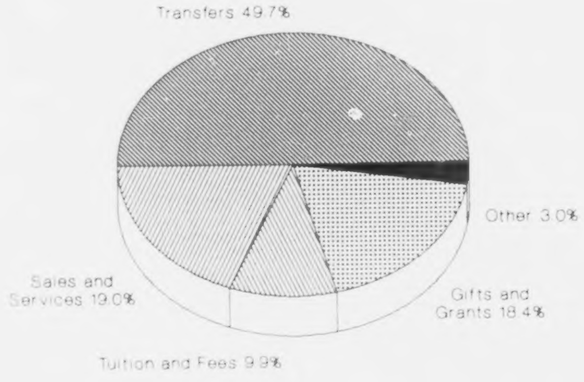
The University system is governed by a single Board of Governors. The sixteen campuses have their own separate boards of trustees responsible for their campus' operations only. The constitutionally authorized Board of Governors is composed of thirty-two members elected by the General Assembly and has authority to choose its own chairman and other officers. University-wide administration and execution of board policy is the responsibility of the President of the University. The President, the officers of the University and their supporting staff constitute the General Administration of the University.

The following campuses comprise the Consolidated University System:

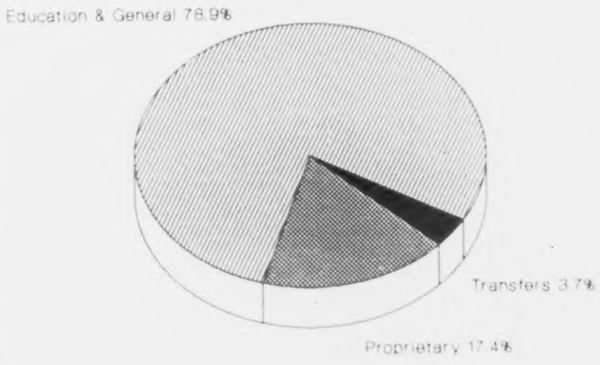
University of North Carolina-Chapel Hill
North Carolina State University
University of North Carolina-Greensboro
University of North Carolina-Charlotte
University of North Carolina-Asheville
University of North Carolina-Wilmington
East Carolina University
North Carolina A & T University
Western Carolina University
Appalachian State University
Pembroke State University
Winston-Salem State University
Elizabeth City State University
Fayetteville State University
North Carolina Central University
North Carolina School of the Arts

The charts provide a breakdown of University Current Funds revenues and expenditures for the year ended June 30, 1988, on the accrual basis of accounting. Under this basis, total revenues and other sources exceeded total expenditures and other uses by $34.8 million in 1988.

University Current Fund Revenues



University Current Fund Expenditures



COMBINING BALANCE SHEET ALL UNIVERSITY FUNDS

June 30, 1988 (With Comparative Totals for 1987)

Exhibit K-1

(Expressed in Thousands)

	University Fund Types			Totals	
	Current	Fiduciary	Plant	June 30, 1988	June 30, 1987
Assets					
Cash and Cash Equivalents	$ 238,830	$ 23,723	$ 220,285	$ 482,838	$ 451,407
Cash and Investments With Fiscal Agents	415	20,526	13,814	34,755	59,366
Investments	79,507	219,740	107,462	406,709	344,627
Receivables	61,274	931	2,411	64,616	62,048
Interfund Receivables	9,897	215	8,493	18,605	4,980
Notes Receivable	3	62,308	-	62,311	56,035
Inventories	21,263	-	-	21,263	20,091
Prepaid Expenses	1,563	-	115	1,678	1,874
Fixed Assets	-	10,887	2,289,093	2,299,980	2,107,483
Total Assets	$ 412,752	$ 338,330	$ 2,641,673	$ 3,392,755	$ 3,107,911
Liabilities and Fund Equity					
Liabilities:					
Accounts Payable and Accrued Liabilities	$ 61,203	$ 5,422	$ 13,497	$ 80,122	$ 65,259
Interfund Payables	8,780	299	6,633	15,712	5,141
Notes Payable	12	251	38,203	38,466	33,297
Capital Leases Payable	-	-	9,356	9,356	12,092
Bonds Payable	-	-	243,494	243,494	235,421
Interest Payable	40	-	6,270	6,310	2,967
Deposits Payable	7,800	67,821	5,145	80,766	80,318
Accrued Vacation Leave	44,936	3	-	44,939	31,248
Deferred Revenue	13,154	-	20	13,174	13,311
Total Liabilities	135,925	73,796	322,618	532,339	479,054
Fund Equity:					
Investment in General Fixed Assets	-	-	2,102,027	2,102,027	1,920,927
Fund Balances:					
Reserved/Restricted	78,228	264,534	25,303	368,065	335,935
UnreservedUnrestricted:					
Designated for Subsequent Years' Expenditures	437	-	191,725	192,162	201,397
Undesignated	198,162	-	-	198,162	170,598
Total Fund Equity	276,827	264,534	2,319,055	2,860,416	2,628,857
Total Liabilities and Fund Equity	$ 412,752	$ 338,330	$ 2,641,673	$ 3,392,755	$ 3,107,911

COMBINING BALANCE SHEET
ALL UNIVERSITY CURRENT FUNDS

June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

Exhibit K-2

	Unrestricted			Totals	
	General	Proprietary	Restricted	June 30, 1988	June 30, 1987
Assets					
Cash and Cash Equivalents	$ 69,201	$ 102,290	$ 67,339	$ 238,830	$ 208,035
Cash and Investments With Fiscal Agents	-	-	415	415	1,347
Investments	16,165	48,169	15,173	79,507	56,884
Receivables:					
Accounts Receivable:					
Accounts Receivable - Students (Net)	3,750	2,389	22	6,161	6,591
Accounts Receivable - Patients (Net)	17	24,428	-	24,445	22,209
Accounts Receivable - Other	3,582	6,701	6,823	17,106	13,980
Intergovernmental Receivables	98	193	9,040	9,331	10,611
Investment Earnings	1,725	957	1,549	4,231	3,781
Interfund Receivables	2,340	3,625	3,932	9,897	3,557
Notes Receivable (Net)	-	3	-	3	58
Inventories	4,111	17,001	151	21,263	20,091
Prepaid Expenses	298	116	1,149	1,563	1,765
Total Assets	$ 101,287	$ 205,872	$ 105,593	$ 412,752	$ 348,909
Liabilities and Fund Equity					
Liabilities:					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	$ 7,665	$ 10,329	$ 9,881	$ 27,875	$ 21,675
Accrued Liabilities	22,956	3,478	3,620	30,054	19,382
Intergovernmental Payables	30	1	3,243	3,274	3,304
Interfund Payables	3,694	3,426	1,660	8,780	4,853
Notes Payable	10	2	-	12	35
Interest Payable	11	29	-	40	210
Deposits Payable	6,340	1,384	76	7,800	8,131
Accrued Vacation Leave	33,341	6,412	5,183	44,936	31,248
Deferred Revenue	4,879	4,573	3,702	13,154	13,299
Total Liabilities	78,926	29,634	27,365	135,925	102,137
Fund Equity:					
Fund Balances:					
Reserved/Restricted	-	-	78,228	78,228	76,174
Unreserved/Unrestricted:					
Designated for Subsequent Years' Expenditures	437	-	-	437	-
Undesignated	21,924	176,238	-	198,162	170,598
Total Fund Equity	22,361	176,238	78,228	276,827	246,772
Total Liabilities and Fund Equity	$ 101,287	$ 205,872	$ 105,593	$ 412,752	$ 348,909

COMBINING STATEMENT OF CHANGES IN FUND EQUITY ALL UNIVERSITY CURRENT FUNDS

For the Fiscal Year Ended June 30, 1988 (With Comparative Totals for 1987)

Exhibit K-3

(Expressed in Thousands)

	Unrestricted			Totals	
	General	Proprietary	Restricted	June 30, 1988	June 30, 1987
Revenues and Other Additions:					
Tuition and Fees	$ 150,679	$ 33,862	$ 554	**$ 185,095**	$ 171,085
Gifts, Grants and Contracts	58,591	2,217	285,031	**345,839**	305,996
Sales and Services	30,007	324,404	2,000	**356,411**	320,059
Investment Earnings	10,141	10,693	15,323	**36,157**	29,694
Other Revenues and Additions	6,652	2,945	10,643	**20,240**	18,433
Total Revenues and Other Additions	256,070	374,121	313,551	**943,742**	845,267
Expenditures and Other Deductions:					
Educational and General	1,148,674	-	303,094	**1,451,768**	1,314,336
Auxiliary Enterprise and Internal Service	-	320,242	-	**320,242**	294,660
Other Expenditures and Deductions	-	-	-	**-**	5,848
Total Expenditures and Other Deductions	1,148,674	320,242	303,094	**1,772,010**	1,614,844
Other Financing Sources (Uses):					
Operating Transfers In	910,901	8,419	11,977	**931,297**	924,038
Operating Transfers Out	(15,947)	(38,815)	(13,430)	**(68,192)**	(131,202)
Total Other Financing Sources (Uses)	894,954	(30,396)	(1,453)	**863,105**	792,836
Net Increase in Fund Equity	2,350	23,483	9,004	**34,837**	23,259
Fund Equity - July 1 - As Previously Reported	16,023	156,945	73,804	**246,772**	223,513
Restatements	3,988	(4,190)	(4,580)	**(4,782)**	-
Fund Equity - June 30	$ 22,361	$ 176,238	$ 78,228	**$ 276,827**	$ 246,772

COMBINING BALANCE SHEET
ALL UNIVERSITY FIDUCIARY FUNDS

June 30, 1988 (With Comparative Totals for 1987)

(Expressed in Thousands)

Exhibit K-4

	Loan	Endowment And Similar	Agency	Totals June 30, 1988	Totals June 30, 1987
Assets					
Cash and Cash Equivalents	$ 9,556	$ 10,629	$ 3,538	$ 23,723	$ 24,880
Cash and Investments With Fiscal Agents	28	20,407	91	20,526	35,362
Investments	749	150,685	68,306	219,740	185,264
Receivables:					
Accounts Receivable:					
Accounts Receivable - Students (Net)	-	-	-	-	3
Accounts Receivable - Other	9	19	224	252	187
Intergovernmental Receivables	14	-	60	74	49
Investment Earnings	156	2	447	605	605
Interfund Receivables	74	41	100	215	77
Notes Receivable (Net)	61,757	133	418	62,308	55,977
Fixed Assets:					
Land	-	10,200	272	10,472	10,527
Buildings	-	341	-	341	341
Machinery and Equipment	-	-	37	37	31
Art, Literature, and Artifacts	-	37	-	37	37
Total Assets	$ 72,343	$ 192,494	$ 73,493	$ 338,330	$ 313,340
Liabilities and Fund Equity					
Liabilities:					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	$ 16	$ 23	$ 5,345	$ 5,384	$ 10,515
Accrued Liabilities	-	-	31	31	40
Intergovernmental Payables	6	-	1	7	4
Interfund Payables	106	152	41	299	245
Notes Payable	-	-	251	251	527
Deposits Payable	-	-	67,821	67,821	68,177
Accrued Vacation Leave	-	-	3	3	-
Total Liabilities	128	175	73,493	73,796	79,508
Fund Equity:					
Fund Balances:					
Reserved/Restricted for Loans	72,215	-	-	72,215	65,602
Reserved/Restricted for Endowments	-	192,319	-	192,319	168,230
Total Fund Equity	72,215	192,319	-	264,534	233,832
Total Liabilities and Fund Equity	$ 72,343	$ 192,494	$ 73,493	$ 338,330	$ 313,340

COMBINING STATEMENT OF CHANGES IN FUND EQUITY
ALL UNIVERSITY FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 1988 (With Comparative Totals for 1987)

Exhibit K-5

(Expressed in Thousands)

		Endowment	Totals	
	Loan	And Similar	June 30, 1988	June 30, 1987
Revenues and Other Additions:				
Restricted Gifts, Grants, and Contracts	$ 1,641	$ 10,201	**$ 11,842**	$ 21,364
Investment Earnings	2,216	9,114	**11,330**	27,752
Other Revenues and Additions	1,209	242	**1,451**	1,368
Total Revenues and Other Additions	5,066	19,557	**24,623**	50,484
Expenditures and Other Deductions:				
Administrative and Collection Costs, Loan Cancellations, and Bad Debts	3,497	-	**3,497**	4,233
Other Expenditures and Deductions	-	510	**510**	68
Total Expenditures and Other Deductions	3,497	510	**4,007**	4,301
Other Financing Sources (Uses):				
Transfers In	1,255	3,617	**4,872**	2,184
Transfers Out	(285)	(126)	**(411)**	(143)
Total Other Financing Sources (Uses)	970	3,491	**4,461**	2,041
Net Increase in Fund Equity	2,539	22,538	**25,077**	48,224
Fund Equity - July 1 - As Previously Reported	65,602	168,230	**233,832**	185,608
Restatements	(57)	1,551	**1,494**	-
Residual Equity Transfer	4,131	-	**4,131**	-
Fund Equity - June 30	$ 72,215	$ 192,319	**$ 264,534**	$ 233,832

COMBINING BALANCE SHEET
ALL UNIVERSITY PLANT FUNDS

Exhibit K-6

June 30, 1988 (With Comparative Totals for 1987)

	Unexpended	Debt Service	Investment In Plant	Totals June 30, 1988	Totals June 30, 1987
Assets					
Cash and Cash Equivalents	$ 202,855	$ 17,430	$ -	$ 220,285	$ 218,492
Cash and Investments With Fiscal Agents	-	13,814	-	13,814	22,657
Investments	94,331	13,131	-	107,462	102,479
Receivables:					
Accounts Receivable:					
Accounts Receivable - Students (Net)	-	66	-	66	68
Accounts Receivable - Other	31	-	-	31	1,383
Intergovernmental Receivables	-	15	-	15	-
Investment Earnings	2,009	290	-	2,299	2,581
Interfund Receivables	2,715	5,778	-	8,493	1,346
Prepaid Expenses	-	115	-	115	109
Fixed Assets:					
Land	-	-	54,178	54,178	30,153
Land Improvements	-	-	60,609	60,609	75,581
Buildings	-	-	1,175,298	1,175,298	1,095,917
Machinery and Equipment	-	-	497,991	497,991	463,619
Art, Literature, and Artifacts	-	-	313,979	313,979	293,865
Construction in Progress	-	-	187,038	187,038	137,412
Total Assets	$ 301,941	$ 50,639	$ 2,289,093	$ 2,641,673	$ 2,445,662
Liabilities and Fund Equity					
Liabilities:					
Accounts Payable and Accrued Liabilities:					
Accounts Payable	$ 13,420	$ 77	$ -	$ 13,497	$ 10,339
Interfund Payables	6,196	437	-	6,633	43
Notes Payable	6,259	-	31,944	38,203	32,735
Capital Leases Payable	-	-	9,356	9,356	12,092
Bonds Payable	91,869	5,859	145,766	243,494	235,421
Interest Payable	228	6,042	-	6,270	2,757
Deposits Payable - Contract Retainage	5,145	-	-	5,145	4,010
Deferred Revenue	-	20	-	20	12
Total Liabilities	123,117	12,435	187,066	322,618	297,409
Fund Equity:					
Investment in General Fixed Assets	-	-	2,102,027	2,102,027	1,920,927
Fund Balances:					
Reserved/Restricted	-	25,303	-	25,303	25,929
Unreserved/Unrestricted:					
Designated for Subsequent Years' Expenditures	178,824	12,901	-	191,725	201,397
Total Fund Equity	178,824	38,204	2,102,027	2,319,055	2,148,253
Total Liabilities and Fund Equity	$ 301,941	$ 50,639	$ 2,289,093	$ 2,641,673	$ 2,445,662

COMBINING STATEMENT OF CHANGES IN FUND EQUITY ALL UNIVERSITY PLANT FUNDS

For the Fiscal Year Ended June 30, 1988 (With Comparative Totals for 1987) Exhibit K-7

(Expressed in Thousands)

	Unexpended	Debt Service	Investment In Plant	Totals June 30, 1988	Totals June 30, 1987
Revenues and Other Additions:					
Tuition and Fees	$ -	$ 2,651	$ -	**$ 2,651**	$ 2,445
Restricted Gifts, Contracts and Grants	2,084	8,502	123	**10,709**	4,551
Proceeds from Notes and Bonds Issued	-	-	-	**-**	10,581
Investment Earnings	8,055	2,715	-	**10,770**	10,918
Expended for Plant Facilities	-	-	192,394	**192,394**	171,977
Retirement of Indebtedness	-	-	14,066	**14,066**	29,350
Other Revenues and Additions	397	681	-	**1,078**	5,949
Total Revenues and Other Additions	10,536	14,549	206,583	**231,668**	235,771
Expenditures and Other Deductions:					
Expended for Plant Facilities	118,944	-	-	**118,944**	88,785
Retirement of Indebtedness	-	11,518	-	**11,518**	32,285
Interest on Indebtedness	2	17,426	-	**17,428**	11,538
Disposal of Plant Facilities	-	-	18,153	**18,153**	28,572
Capital Lease Additions	-	-	-	**-**	582
Other Expenditures and Deductions	-	492	-	**492**	864
Total Expenditures and Other Deductions	118,946	29,436	18,153	**166,535**	162,626
Other Financing Sources (Uses):					
Transfers In	103,359	35,194	-	**138,553**	249,123
Transfers Out	(12,259)	(12,631)	-	**(24,890)**	(121,968)
Total Other Financing Sources (Uses)	91,100	22,563	-	**113,663**	127,155
Net Increase (Decrease) in Fund Equity	(17,310)	7,676	188,430	**178,796**	200,300
Fund Equity - July 1 - As Previously Reported	196,657	30,669	1,920,927	**2,148,253**	1,947,953
Restatements	(523)	(141)	(7,330)	**(7,994)**	-
Fund Equity - June 30	$ 178,824	$ 38,204	$ 2,102,027	**$ 2,319,055**	$ 2,148,253

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STATISTICAL SECTION

The Statistical Section is presented to give report users an historical perspective and to assist in determining current financial status and trends of the State government. Certain economic and demographic data is presented to provide a broader understanding of State government than is possible from the financial statements, notes and supporting schedule presentation in the Financial Section.

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REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BUDGETARY BASIS) ALL BUDGETED FUNDS

For the Fiscal Years 1979-1988

(Expressed in Thousands)

	Fiscal Years			
	1988	1987	1986	1985
Revenues:				
Tax	**$6,163,516**	$5,706,155	$5,081,772	$4,708,371
Non-Tax	**537,618**	477,612	477,005	450,585
Departmental	**3,564,201**	3,172,667	2,936,052	2,795,775
Total Revenues	**10,265,335**	9,356,434	8,494,829	7,954,731
Expenditures:				
Current:				
General Government	**211,424**	173,914	161,816	152,851
Public Safety and Regulation	**385,674**	351,196	316,044	294,415
Corrections	**276,777**	255,073	234,014	217,064
Education	**4,745,243**	4,311,125	4,038,614	3,569,882
Transportation	**1,212,890**	1,039,396	976,022	951,163
Health, Welfare, and Rehabilitation	**2,516,752**	2,291,581	2,101,513	1,914,853
Resource Development and Preservation	**369,941**	331,929	338,347	310,932
Agriculture	**50,838**	49,303	46,582	41,396
Debt Service	**73,923**	63,949	73,481	76,077
Capital Outlay	**173,020**	297,667	253,503	212,535
Budgeted Non-Cash Transactions	**19**	182	(7)	7
Total Expenditures	**10,016,501**	9,165,315	8,539,929	7,741,175
Excess Revenues Over (Under) Expenditures	**248,834**	191,119	(45,100)	213,556
Fund Balance - July 1	**1,418,790**	1,227,671	1,272,771	1,059,215
Adjustments		-	-	-
Fund Balance - June 30	**$ 1,667,624**	$ 1,418,790	$ 1,227,671	$ 1,272,771

Note: "All Budgeted Funds" includes the general fund, departmental special revenue funds, and the highway fund.

Table I

Ended June 30					
1984	1983	1982	1981	1980	1979
$4,178,382	$3,625,612	$3,419,973	$3,099,383	$2,903,961	$2,618,406
412,050	323,539	331,562	312,850	333,892	249,521
2,450,523	2,326,031	2,158,525	2,193,825	2,104,015	2,490,251
7,040,955	6,275,182	5,910,060	5,606,058	5,341,868	5,358,178
131,664	137,835	123,424	215,678	180,383	152,640
257,017	214,318	197,950	60,205	59,438	36,517
194,433	176,019	160,085	146,535	124,963	105,892
3,123,267	2,912,898	2,926,976	2,658,488	2,299,024	1,824,966
807,264	710,143	642,351	944,802	1,033,615	1,871,965
1,800,460	1,633,184	1,552,631	1,425,408	1,296,727	1,126,076
254,398	219,736	167,686	156,389	154,429	39,932
37,907	34,717	33,507	32,484	29,932	24,394
79,174	74,886	61,858	60,230	53,915	49,728
59,782	65,772	30,861	104,141	84,379	93,779
95	4,026	7,205	-	-	-
6,745,461	6,183,534	5,904,534	5,804,360	5,316,805	5,325,889
295,494	91,648	5,526	(198,302)	25,063	32,289
763,721	672,073	666,547	843,182	834,729	801,627
-	-	-	21,667	(16,610)	813
$ 1,059,215	$ 763,721	$ 672,073	$ 666,547	$ 843,182	$ 834,729

REVENUES BY SOURCE (BUDGETARY BASIS) GENERAL FUND

For the Fiscal Years 1979-1988
(Expressed in Thousands)

	Fiscal Years							
	1988		1987		1986		1985	
	Amount	%	Amount	%	Amount	%	Amount	%
Tax Revenues:								
Income	$ 3,312,805	38.6	$ 3,129,407	39.4	$ 2,717,424	37.3	$ 2,513,419	37.4
Sales and Use	1,555,267	18.1	1,451,613	18.3	1,380,409	19.0	1,155,845	17.2
Franchise	234,780	2.7	206,523	2.6	197,595	2.7	310,143	4.6
Beverage	122,480	1.4	112,515	1.4	108,982	1.5	105,015	1.6
Insurance	186,461	2.2	139,229	1.8	134,815	1.9	116,108	1.7
Inheritance	60,728	0.7	73,540	0.9	82,021	1.1	71,203	1.0
Soft Drink	27,366	0.3	24,828	0.3	25,713	0.4	24,607	0.4
Cigarette	8,484	0.1	11,616	0.1	14,895	0.2	14,907	0.2
License	28,259	0.4	21,996	0.3	24,606	0.3	17,695	0.3
Building and Loan Association	8,696	0.2	4,443	0.1	2,524	0.0	1,362	0.0
Gift	5,012	0.1	3,937	0.0	4,682	0.1	5,438	0.1
Other	951	0.0	915	0.0	855	0.0	920	0.0
Total Tax Revenues	5,551,289	64.8	5,180,562	65.2	4,694,521	64.5	4,336,662	64.5
Non-Tax Revenues:								
Treasurer's Investment Income	167,117	1.9	139,318	1.8	151,251	2.1	131,037	1.9
Fees, Licenses and Fines	66,402	0.8	38,045	0.5	37,377	0.5	32,461	0.5
Other	19,719	0.2	34,152	0.4	27,721	0.4	26,874	0.4
Total Non-Tax Revenues	253,238	2.9	211,515	2.7	216,349	3.0	190,372	2.8
Total Tax and Non-Tax Revenues	5,804,527	67.7	5,392,077	67.9	4,910,870	67.5	4,527,034	67.3
Departmental and Institutional Receipts:								
Federal Funds	1,576,323	18.4	1,445,887	18.2	1,386,422	19.0	1,321,335	19.6
Local Funds	224,832	2.6	200,741	2.5	178,816	2.5	160,829	2.4
Transfers	317,241	3.7	305,530	3.9	258,294	3.5	239,457	3.6
Sales and Services	357,112	4.1	326,000	4.1	301,304	4.1	304,580	4.5
Universities	211,924	2.5	195,581	2.5	186,294	2.6	-	0.0
Other	83,965	1.0	69,552	0.9	56,673	0.8	173,837	2.6
Total Departmental and Institutional Receipts	2,771,397	32.3	2,543,291	32.1	2,367,803	32.5	2,200,038	32.7
Total General Fund Revenues	$ 8,575,924	100.0	$ 7,935,368	100.0	$ 7,278,673	100.0	$ 6,727,072	100.0

Table II

Ended June 30

1984		1983		1982		1981		1980		1979	
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
$ 2,152,811	36.0	$ 1,856,624	35.4	$ 1,726,818	34.4	$ 1,583,321	33.4	$ 1,471,139	33.6	$ 1,248,931	36.1
998,987	16.7	823,400	15.7	777,449	15.5	737,098	15.6	691,902	15.8	646,730	18.7
326,787	5.5	298,561	5.7	269,764	5.4	235,280	5.0	200,815	4.6	181,454	5.2
101,192	1.7	100,343	1.9	99,641	2.0	95,390	2.0	90,461	2.1	85,116	2.5
106,523	1.8	98,117	1.9	92,817	1.8	86,188	1.8	80,259	1.8	71,109	2.1
66,412	1.1	44,072	0.8	43,481	0.9	43,434	0.9	40,077	0.9	37,709	1.1
23,668	0.4	21,829	0.4	21,883	0.4	22,279	0.5	21,971	0.5	23,048	0.7
14,971	0.3	15,619	0.3	18,278	0.4	18,247	0.4	18,031	0.4	18,826	0.5
15,878	0.3	14,980	0.3	16,613	0.3	13,594	0.3	13,395	0.3	13,208	0.4
1,160	0.0	552	0.0	8,493	0.2	8,300	0.2	8,482	0.2	8,860	0.3
5,174	0.1	4,174	0.1	1,855	0.0	2,169	0.0	2,072	0.0	1,643	0.0
815	0.0	754	0.0	621	0.0	653	0.0	610	0.0	584	0.0
3,814,378	63.9	3,279,025	62.5	3,077,713	61.3	2,845,953	60.1	2,639,214	60.2	2,337,218	67.6
96,261	1.6	88,017	1.7	115,634	2.3	108,547	2.3	110,401	2.5	59,239	1.7
28,213	0.5	20,121	0.4	19,620	0.4	21,431	0.5	20,959	0.5	20,872	0.6
18,465	0.3	16,679	0.3	16,574	0.3	47,881	1.0	71,597	1.6	43,250	1.2
142,939	2.4	124,817	2.4	151,828	3.0	177,859	3.8	202,957	4.6	123,361	3.5
3,957,317	66.3	3,403,842	64.9	3,229,541	64.3	3,023,812	63.9	2,842,171	64.8	2,460,579	71.1
1,220,266	20.4	1,092,402	20.8	1,053,886	21.0	1,144,880	24.2	1,015,349	23.1	529,826	15.3
153,977	2.6	141,048	2.7	144,680	2.9	41,014	0.9	105,259	2.4	95,473	2.7
193,997	3.2	185,315	3.5	197,796	3.9	188,462	4.0	135,938	3.1	113,730	3.3
286,768	4.8	294,665	5.6	159,623	3.2	120,075	2.5	33,160	0.8	83,613	2.4
-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
158,261	2.7	133,343	2.5	235,158	4.7	216,040	4.5	253,890	5.8	179,170	5.2
2,013,269	33.7	1,846,773	35.1	1,791,143	35.7	1,710,471	36.1	1,543,596	35.2	1,001,812	28.9
$ 5,970,586	100.0	$ 5,250,615	100.0	$ 5,020,684	100.0	$ 4,734,283	100.0	$ 4,385,767	100.0	$ 3,462,391	100.0

EXPENDITURES BY FUNCTION AND OBJECT (BUDGETARY BASIS) GENERAL FUND

For the Fiscal Years 1979-1988

(Expressed in Thousands)

								Fiscal Years
	1988		1987		1986		1985	
	Amount	%	Amount	%	Amount	%	Amount	%
Expenditures by Function:								
General Government	**$ 190,037**	**2.2**	$ 161,614	2.0	$ 150,466	2.0	$ 142,980	2.2
Public Safety and Regulation	**272,966**	**3.2**	246,198	3.1	213,344	2.9	203,036	3.1
Corrections	**276,010**	**3.2**	254,287	3.2	233,125	3.2	215,359	3.3
Education	**4,682,442**	**54.8**	4,251,538	53.9	3,984,516	54.3	3,535,244	53.5
Transportation	**5,262**	**0.1**	6,262	0.1	5,217	0.1	4,957	0.1
Health, Welfare, and Rehabilitation	**2,494,954**	**29.2**	2,270,393	28.8	2,080,131	28.3	1,894,880	28.7
Resource Development and Preservation	**325,720**	**3.8**	291,083	3.7	299,297	4.1	274,097	4.1
Agriculture	**50,838**	**0.6**	49,303	0.6	46,582	0.6	41,396	0.6
Debt Service	**73,923**	**0.9**	63,949	0.8	73,481	1.0	76,077	1.2
Capital Outlay	**173,020**	**2.0**	297,667	3.8	253,503	3.5	212,535	3.2
Total Expenditures	**$ 8,545,172**	**100.0**	$ 7,892,294	100.0	$ 7,339,662	100.0	$ 6,600,561	100.0
Expenditures by Object:								
Personal Services	**$ 2,127,224**	**24.9**	$ 1,954,395	24.8	$ 1,811,738	24.7	$ 1,627,621	24.7
Supplies and Materials	**150,417**	**1.8**	137,449	1.7	132,042	1.8	124,872	1.9
Current Obligations	**240,192**	**2.8**	226,833	2.9	217,886	3.0	208,804	3.2
Fixed Charges	**61,546**	**0.7**	67,447	0.9	59,902	0.8	62,653	0.9
Capital Outlay	**129,779**	**1.5**	112,223	1.4	100,855	1.4	94,118	1.4
Grants, State Aid and Subsidies	**5,166,172**	**60.5**	4,663,840	59.1	4,345,594	59.2	3,888,172	58.9
Debt Service	**120**	**0.0**	88	0.0	73,578	1.0	76,802	1.2
Other	**669,722**	**7.8**	730,019	9.2	598,067	8.1	517,519	7.8
Total Expenditures	**$ 8,545,172**	**100.0**	$ 7,892,294	100.0	$ 7,339,662	100.0	$ 6,600,561	100.0

Table III

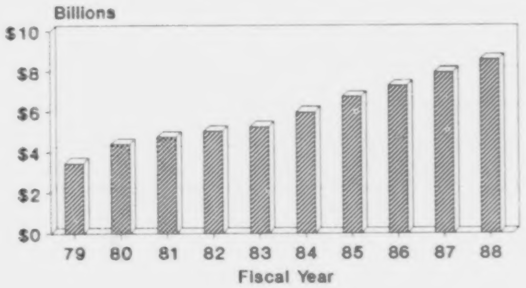
Ended June 30

1984		1983		1982		1981		1980		1979	
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
$ 123,707	2.1	$ 130,636	2.5	$ 120,001	2.4	$ 108,098	2.2	$ 87,367	2.0	$ 152,640	4.4
176,281	3.1	153,179	2.9	147,069	2.9	140,365	2.9	130,815	3.1	36,517	1.1
192,744	3.3	174,221	3.3	158,065	3.1	146,535	3.0	124,963	2.9	105,892	3.1
3,087,934	53.3	2,840,133	53.7	2,808,875	55.4	2,634,316	54.2	2,276,059	53.1	1,824,966	52.8
30,756	0.5	4,738	0.1	5,057	0.1	5,066	0.1	5,057	0.1	-	0.0
1,781,285	30.8	1,615,481	30.5	1,536,124	30.3	1,425,408	29.3	1,296,727	30.2	1,126,075	32.6
219,091	3.8	194,997	3.7	167,056	3.3	207,981	4.3	199,033	4.6	39,932	1.2
37,907	0.7	34,717	0.7	33,507	0.7	32,484	0.7	29,932	0.7	24,394	0.7
79,174	1.4	74,886	1.4	61,858	1.2	60,231	1.2	53,915	1.3	49,728	1.4
59,782	1.0	65,772	1.2	30,861	0.6	104,141	2.1	84,379	2.0	93,779	2.7
$ 5,788,661	100.0	$ 5,288,760	100.0	$ 5,068,473	100.0	$ 4,864,625	100.0	$ 4,288,247	100.0	$ 3,453,923	100.0

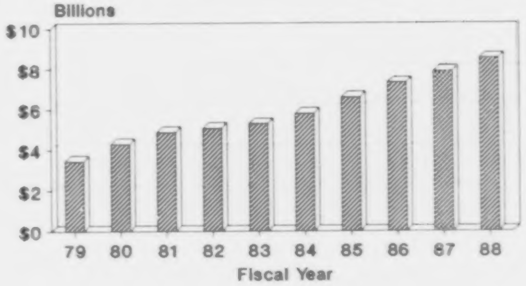
1984		1983		1982		1981		1980		1979	
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
$ 1,443,467	24.9	$ 1,345,126	25.5	$ 1,283,428	25.3	$ 1,204,382	24.8	$ 1,044,482	24.3	$ 928,779	26.9
117,190	2.0	107,198	2.0	103,552	2.0	98,354	2.0	107,864	2.5	81,335	2.4
195,542	3.4	179,463	3.4	161,015	3.2	150,846	3.1	122,266	2.8	113,702	3.3
55,756	1.0	69,432	1.3	58,901	1.2	47,846	1.0	38,806	0.9	29,443	0.9
79,332	1.4	56,877	1.1	53,364	1.1	42,344	0.9	41,839	1.0	132,895	3.8
3,482,426	60.1	3,185,662	60.2	3,078,154	60.7	3,044,676	62.6	2,593,041	60.5	2,066,802	59.8
80,564	1.4	75,157	1.4	62,025	1.2	60,344	1.2	54,263	1.3	49,728	1.4
334,384	5.8	269,845	5.1	268,034	5.3	215,833	4.4	285,686	6.7	51,239	1.5
$ 5,788,661	100.0	$ 5,288,760	100.0	$ 5,068,473	100.0	$ 4,864,625	100.0	$ 4,288,247	100.0	$ 3,453,923	100.0

GENERAL FUND
REVENUES AND EXPENDITURES

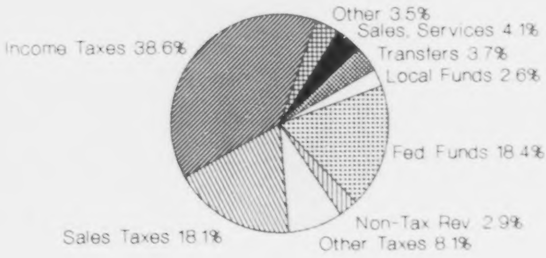
General Fund Revenues
For the Years 1979 to 1988
(From Table II)



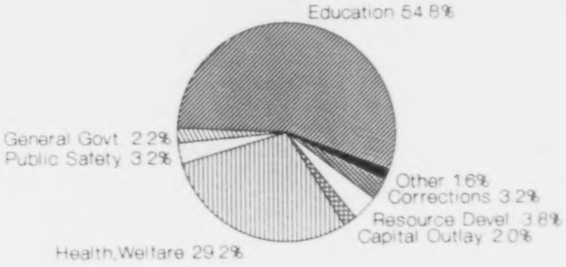
General Fund Expenditures
For the Years 1979 to 1988
(From Table III)



General Fund Revenues by Source
Year Ended June 30, 1988
(From Table II)

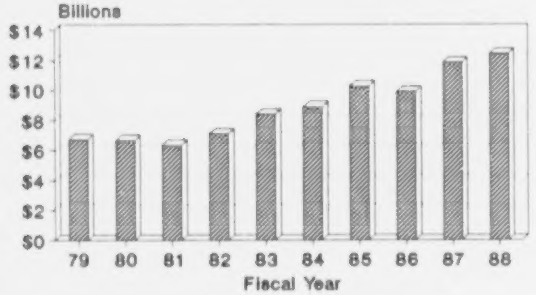


General Fund Expenditures by Function
Year Ended June 30, 1988
(From Table III)

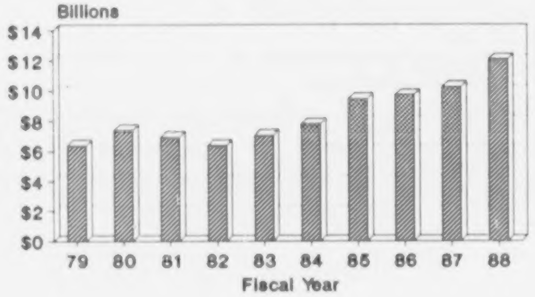


HIGHWAY FUND
REVENUES AND EXPENDITURES

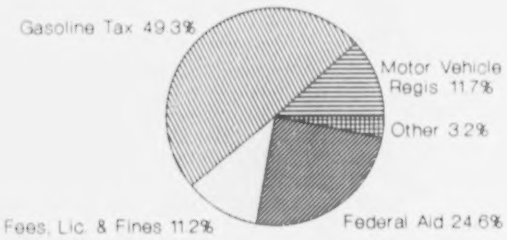
Highway Fund Revenues
For the Years 1979 to 1988
(From Table IV)



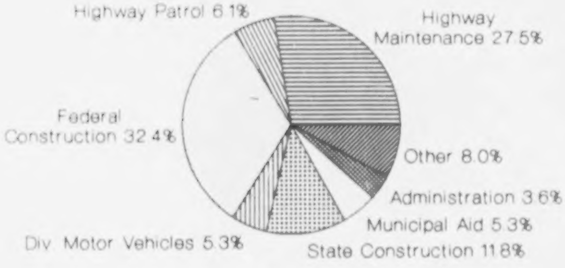
Highway Fund Expenditures
For the Years 1979 to 1988
(From Table V)



Highway Fund Revenues by Source
Year Ended June 30, 1988
(From Table IV)



Highway Fund Expenditures by Function
Year Ended June 30, 1988
(From Table V)



REVENUES BY SOURCE (BUDGETARY BASIS) HIGHWAY FUND

For the Fiscal Years 1979-1988

(Expressed in Thousands)

Fiscal Years

	1988		1987		1986		1985	
	Amount	%	Amount	%	Amount	%	Amount	%
State Revenues:								
Motor Vehicle Registration	$ 145,627	11.7	$ 140,335	11.9	$ 134,864	13.7	$ 132,414	12.9
Gasoline Tax	612,227	49.3	526,823	44.6	387,251	39.3	371,649	36.3
Fees, Licenses, Fines and Other	138,754	11.2	144,225	12.2	125,792	12.7	127,799	12.5
Total State Revenues	896,608	72.2	811,383	68.7	647,907	65.7	631,862	61.7
Federal Aid Participation:								
Highway Construction	297,185	24.0	326,496	27.7	308,255	31.2	357,525	34.9
Other	7,210	0.6	7,274	0.6	7,888	0.8	7,950	0.8
Total Federal Aid Participation	304,395	24.6	333,770	28.3	316,143	32.0	365,475	35.7
Local and State Participation:								
Cities' and Towns' Participation	13,694	1.1	11,082	0.9	3,844	0.4	3,612	0.4
Property Owners' Participation	5,114	0.4	3,586	0.3	2,290	0.2	2,293	0.2
Grants and General Participation	7,326	0.6	6,380	0.5	4,650	0.5	5,085	0.5
State Aid	5,145	0.4	6,145	0.5	5,100	0.5	4,840	0.5
Total Local and State Participation	31,279	2.5	27,193	2.2	15,884	1.6	15,830	1.6
Total Revenue	1,232,282	99.3	1,172,346	99.2	979,934	99.3	1,013,167	99.0
Departmental Receipts	6,810	0.5	8,861	0.8	6,643	0.7	6,303	0.6
Transfer from Equipment Fund	1,601	0.2	-	0.0	-	0.0	4,600	0.4
Total Funds Available	$ 1,240,693	100.0	$ 1,181,207	100.0	$ 986,577	100.0	$ 1,024,070	100.0

Table IV

Ended June 30

1984		1983		1982		1981		1980		1979	
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
$ 123,447	13.9	$ 94,936	11.3	$ 85,828	12.1	$ 87,673	13.9	$ 83,771	12.6	$ 81,914	12.2
364,004	41.0	346,576	41.4	339,394	47.7	250,077	39.5	261,174	39.3	287,362	42.8
145,664	16.4	103,797	12.4	96,772	13.6	64,690	10.2	68,713	10.3	66,114	9.8
633,115	71.3	545,309	65.1	521,994	73.4	402,440	63.6	413,658	62.2	435,390	64.8
230,877	26.0	264,392	31.6	163,111	22.9	203,070	32.1	225,044	33.8	215,484	32.1
(2,682)	(0.3)	11,149	1.3	11,906	1.7	12,451	2.0	12,530	1.9	3,297	0.5
228,195	25.7	275,541	32.9	175,017	24.6	215,521	34.1	237,574	35.7	218,781	32.6
6,374	0.7	2,890	0.3	827	0.1	1,787	0.3	1,084	0.2	2,294	0.3
2,091	0.2	1,305	0.2	1,738	0.2	1,704	0.3	1,322	0.2	1,929	0.3
8,768	1.0	1,324	0.2	1,629	0.2	1,638	0.2	1,793	0.3	1,184	0.2
4,840	0.6	4,621	0.6	4,490	0.7	4,873	0.8	5,421	0.8	2,879	0.4
22,073	2.5	10,140	1.3	8,684	1.2	10,002	1.6	9,620	1.5	8,286	1.2
883,383	99.5	830,990	99.3	705,695	99.2	627,963	99.3	660,852	99.4	662,457	98.6
4,579	0.5	5,749	0.7	5,524	0.8	4,666	0.7	3,836	0.6	9,485	1.4
-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
$ 887,962	100.0	$ 836,739	100.0	$ 711,219	100.0	$ 632,629	100.0	$ 664,688	100.0	$ 671,942	100.0

EXPENDITURES BY FUNCTION (BUDGETARY BASIS) HIGHWAY FUND

For the Fiscal Years 1979-1988

(Expressed in Thousands)

	Fiscal Years							
	1988		1987		1986		1985	
	Amount	%	Amount	%	Amount	%	Amount	%
Highway Patrol (Transfer to Department of Crime Control and Public Safety).	$ 73,413	6.1	$ 66,580	6.5	$ 60,548	6.3	$ 57,555	6.1
Driver Training (Transfer to Department of Public Education)	-	-	23,533	2.3	22,536	2.3	18,363	1.9
Department of Transportation:								
General Administration	18,643	1.5	16,287	1.6	16,332	1.7	17,633	1.9
Operations Administration	25,365	2.1	24,175	2.4	24,084	2.5	22,652	2.4
Division of Motor Vehicles	64,494	5.3	55,565	5.4	53,537	5.5	48,629	5.1
State Highway Maintenance	332,541	27.5	284,967	27.8	278,125	28.6	303,273	32.1
State Highway Construction	142,580	11.8	76,867	7.5	76,479	7.9	79,674	8.4
Capital Improvements	8,993	0.8	2,775	0.3	4,866	0.5	5,159	0.5
Federal Aid-Highway Construction	391,027	32.4	374,518	36.6	352,752	36.3	318,767	33.7
State Aid - Municipalities	63,716	5.3	54,703	5.3	47,168	4.9	45,443	4.8
Other	86,856	7.2	44,303	4.3	34,378	3.5	29,058	3.1
Total Expenditures	$ 1,207,628	100.0	$ 1,024,273	100.0	$ 970,805	100.0	$ 946,206	100.0

Table V

Ended June 30

1984		1983		1982		1981		1980		1979	
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
$ 49,358	6.3	$ 47,782	6.8	$ 43,412	6.8	$ 41,655	6.0	$ 36,901	5.0	$ 31,882	5.0
14,753	1.9	-	-	-	-	-	-	-	-	-	-
14,820	1.9	12,813	1.8	12,456	2.0	12,310	1.8	10,818	1.4	8,672	1.4
20,426	2.6	16,775	2.4	19,673	3.1	22,084	3.2	20,255	2.7	18,975	3.0
39,564	5.1	31,392	4.5	30,532	4.8	35,105	5.1	31,574	4.3	28,115	4.4
283,659	36.4	262,234	37.2	225,428	35.4	172,470	24.9	188,197	25.4	155,206	24.4
58,759	7.5	54,426	7.7	40,830	6.4	52,842	7.6	70,168	9.5	72,170	11.3
3,756	0.5	1,758	0.2	1,383	0.2	3,370	0.5	1,919	0.3	2,033	0.3
221,543	28.4	199,334	28.2	192,654	30.2	261,987	37.9	292,935	39.6	238,526	37.4
43,244	5.6	43,102	6.1	31,351	4.9	32,573	4.7	34,646	4.7	33,507	5.3
29,626	3.8	35,789	5.1	39,575	6.2	57,302	8.3	52,728	7.1	47,939	7.5
$ 779,508	100.0	$ 705,405	100.0	$ 637,294	100.0	$ 691,698	100.0	$ 740,141	100.0	$ 637,025	100.0

TOTAL NUMBER OF STATE GOVERNMENT PERMANENT POSITIONS FUNDED IN THE STATE BUDGET BY AGENCY

For the Fiscal Years 1979-1988

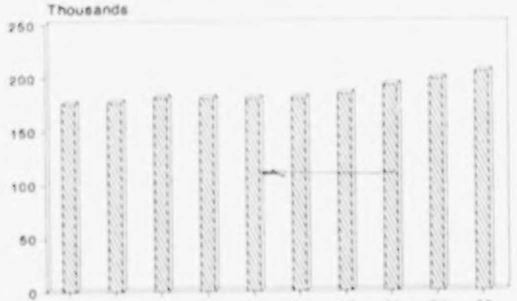
Table VI

	Fiscal Years Ended June 30									
State Agency	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979
Community Colleges	**9,251**	9,945	9,934	8,866	8,912	8,716	8,438	8,216	7,363	8,102
Correction	**10,044**	8,777	8,191	7,861	7,750	7,510	6,778	6,804	6,764	6,122
Higher Education	**30,986**	29,435	28,560	27,565	26,968	26,354	25,884	25,638	25,387	25,744
Human Resources	**18,028**	17,951	17,765	17,768	17,665	17,913	18,166	18,585	18,582	18,351
Judicial	**4,093**	4,004	3,852	3,670	3,522	3,508	3,502	3,438	3,396	3,191
Justice	**962**	930	889	825	822	819	829	828	773	748
Public Education [1]	**103,223**	98,333	94,973	90,123	88,366	88,241	88,978	89,886	86,726	85,892
Transportation and Highway Patrol	**14,783**	15,352	14,777	14,541	14,092	14,105	14,689	15,129	15,400	15,382
Other	**12,467**	12,390	12,742	12,371	11,923	11,974	12,369	12,417	12,107	11,654
Total Positions	**203,837**	197,117	191,683	183,590	180,020	179,140	179,633	180,941	176,498	175,186

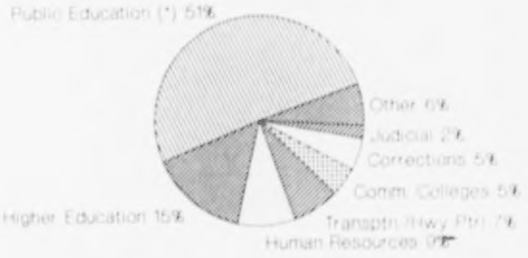
[1] - This figure represents elementary and secondary school teachers. Public Education receives funding by State appropriation.

Source: North Carolina Office of State Budget and Management

State Government Permanent Positions
For the Years 1979 to 1988



State Government Permanent Positions
Distribution of Employees by Agency
As of June 30, 1988



*-Elementary & secondary school teachers

COMPUTATION OF LEGAL DEBT LIMIT

June 30, 1988 Table VII

(Expressed in Thousands)

General Obligation Bonds Authorized		$ 1,793,745
Allowable Increase in General Obligation Bonds by General Assembly for Lawful Purposes:		
1989-91 Biennium	$ 44,893	
1987-89 Biennium	30,333	
Total Allowable Increase		75,226
Legal Debt Limit		1,868,971
Less Bonds Issued		(1,793,745)
Unused Allowable Debt		$ 75,226

The limitations on State Debt and Bond Issues are contained in the State Constitution, Article 5, Section 3. This section restricts the General Assembly from contracting debts secured by a pledge of the faith and credit of the State, unless approved by a majority of the qualified voters of the State except for:

1. To fund or refund a valid existing debt;
2. To supply an unforeseen deficiency in the revenue;
3. To borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50 percent of such taxes;
4. To suppress riots or insurrections, or to repel invasions;
5. To meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor;
6. For any other lawful purposes, to the extent of two-thirds of the amount by which the State's outstanding indebtedness shall have been reduced during the next preceding biennium.

Below is a calculation of the allowable increase in General Obligation Bonds by the General Assembly for lawful purposes without voter approval:

	General Obligation Bonds						Allowable Increase	
Preceding Biennium	Beginning Balance	Issues	Refunded	Repayment	Ending Balance	Decrease (Increase)	(2/3 of Debt Decrease) Amount	Biennium
1987-89	775,500	-	-	(67,340)	708,160	67,340	44,893	1989-91
1985-87	821,000	506,000	(460,000)	(91,500)	775,500	45,500	30,333	1987-89
1983-85	937,400	-	-	(116,400)	821,000	116,400	77,600	1985-87
1981-83	763,200	280,000	-	(105,800)	937,400	(174,200)	N/A	1983-85
1979-81	674,300	187,250	-	(98,350)	763,200	(88,900)	N/A	1981-83

SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE

June 30, 1988

(Expressed in Thousands)

	Total General Obligation Bonds	Payable from Highway Fund Revenues			
		Total	Highway Bonds of 1965	Highway Bonds of 1977	Highway Bonds of 1986
Bonds Authorized:					
Chapter 46, 1965 Session	$ 295,000	$ 295,000	$ 295,000	$ -	$ -
Chapter 909, 1971 Session	119,500	-	-	-	-
Chapter 1240, 1971 Session	45,995	-	-	-	-
Chapter 657, 1973 Session	300,000	-	-	-	-
Chapter 854, 1975 Session	43,250	-	-	-	-
Chapter 643, 1977 Session	300,000	300,000	-	300,000	-
Chapter 677, 1977 Session	230,000	-	-	-	-
Chapter 142, 1986 Session	460,000	250,000	-	-	250,000
Total Bonds Authorized	1,793,745	845,000	295,000	300,000	250,000
Bonds Refunded	460,000	250,000	7,000	243,000	-
Bonds Retired	625,585	368,250	288,000	57,000	23,250
Bonds Outstanding at June 30, 1988	$ 708,160	$ 226,750	$ -	$ -	$ 226,750
Bond Maturity As Follows:					
1988-89	$ 68,230	$ 24,020	$ -	$ -	$ 24,020
1989-90	70,945	26,765	-	-	26,765
1990-91	71,415	27,330	-	-	27,330
1991-92	73,960	29,940	-	-	29,940
1992-93	75,045	31,640	-	-	31,640
1993-94	76,540	32,985	-	-	32,985
1994-95	68,465	25,090	-	-	25,090
1995-96	67,365	24,120	-	-	24,120
1996-97	45,650	4,860	-	-	4,860
1997-98	32,655	-	-	-	-
1998-99	29,305	-	-	-	-
1999-2000	26,085	-	-	-	-
2000-01	2,500	-	-	-	-
	$ 708,160	$ 226,750	$ -	$ -	$ 226,750

Payable from General Fund Revenues

Total	Capital Improvement Bonds of 1971	Clean Water Bonds of 1971	Public School Bonds of 1973	Higher Education Bonds of 1975	Clean Water Bonds of 1977	Public Improvement Bonds of 1986
$ -	$ -	$ -	$ -	$ -	$ -	$ -
119,500	-	119,500	-	-	-	-
45,995	45,995	-	-	-	-	-
300,000	-	-	300,000	-	-	-
43,250	-	-	-	43,250	-	-
-	-	-	-	-	-	-
230,000	-	-	-	-	230,000	-
210,000	-	-	-	-	-	210,000
948,745	45,995	119,500	300,000	43,250	230,000	210,000
210,000	-	38,000	167,000	5,000	-	-
257,335	35,995	47,500	118,000	7,250	35,500	13,090
$ 481,410	$ 10,000	$ 34,000	$ 15,000	$ 31,000	$ 194,500	$ 196,910
$ 44,210	$ 4,000	$ 4,500	$ 2,000	$ 4,000	$ 16,500	$ 13,210
44,180	4,000	4,500	2,000	4,000	16,500	13,180
44,085	2,000	4,500	2,000	4,000	18,500	13,085
44,020	-	4,500	1,500	3,500	19,500	15,020
43,405	-	3,500	1,500	3,500	20,000	14,905
43,555	-	3,500	1,000	2,000	21,000	16,055
43,375	-	3,500	1,000	2,000	21,000	15,875
43,245	-	3,500	1,000	2,000	19,000	17,745
40,790	-	2,000	1,000	2,000	15,000	20,790
32,655	-	-	1,000	2,000	12,000	17,655
29,305	-	-	1,000	2,000	9,000	17,305
26,085	-	-	-	-	4,000	22,085
2,500	-	-	-	-	2,500	-
$ 481,410	$ 10,000	$ 34,000	$ 15,000	$ 31,000	$ 194,500	$ 196,910

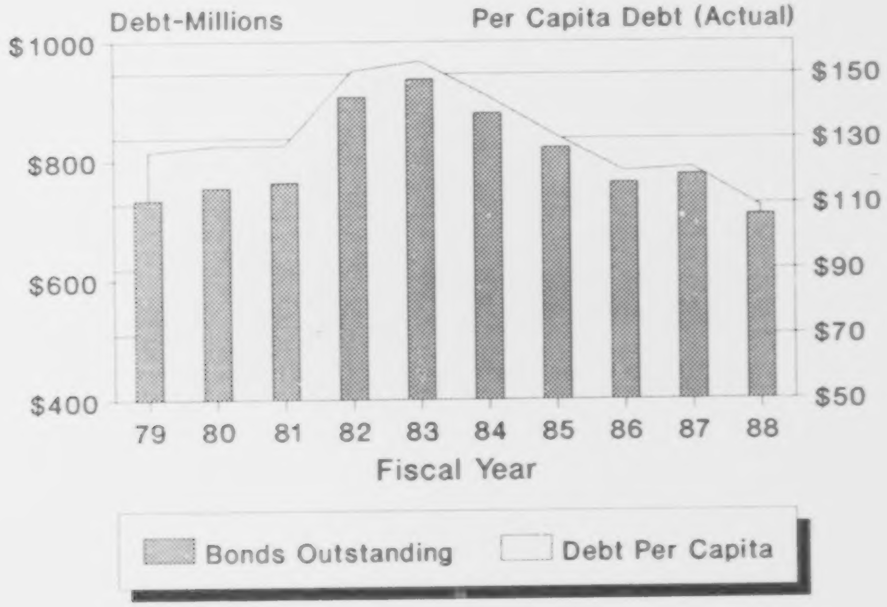
GENERAL OBLIGATION BONDS DEBT RATIOS

For the Fiscal Years 1979-1988

Table IX

Fiscal Year Ended June 30	Debt Per Capita			Annual Debt Service To General Expenditures		
	Population	General Obligation Bonds Outstanding	Amount	Debt Service (Principal & Interest)	Total General Expenditures	Ratio
1988	6,485,108	$708,160,000	$109.20	$ 112,067,000	$ 10,016,501,000	**1.12%**
1987	6,403,426	$775,500,000	$121.11	$ 78,567,000	$ 9,156,272,000	**0.86%**
1986	6,331,288	$762,000,000	$120.35	$ 111,927,000	$ 8,539,936,000	**1.31%**
1985	6,260,716	$821,000,000	$131.14	$ 114,479,000	$ 7,741,168,000	**1.48%**
1984	6,168,950	$879,200,000	$142.52	$ 118,072,000	$ 6,745,366,000	**1.75%**
1983	6,079,790	$937,400,000	$154.18	$ 113,916,000	$ 6,179,508,000	**1.84%**
1982	6,018,047	$905,700,000	$150.50	$ 91,908,000	$ 5,897,329,000	**1.56%**
1981	5,956,995	$763,200,000	$128.12	$ 104,332,000	$ 5,804,360,000	**1.80%**
1980	5,880,415	$753,750,000	$128.18	$ 83,810,000	$ 5,316,805,000	**1.58%**
1979	5,807,900	$734,300,000	$126.43	$ 79,210,000	$ 5,325,889,000	**1.49%**

Long-Term Debt Per Capita



Source: Population - U.S. Department of Commerce, Bureau of the Census

REVENUE BOND COVERAGE

For the Fiscal Years 1983-1988

Table X

(Expressed in Thousands)

Fiscal Year Ended June 30		Gross Revenues [1]	Direct Operating Expenses [1]	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage [2]
					Principal	Interest	Total	
				General Long-Term Obligations Account Group				
1988		$ 1,842	$ 301	$ 1,541	$ 683	430	$ 1,113	1.38
1987		1,712	243	1,469	572	477	1,049	1.40
1986		1,614	263	1,351	562	528	1,090	1.24
1985		1,689	233	1,456	502	591	1,093	1.33
1984		1,927	167	1,760	350	613	963	1.83
1983		969	-	969	-	254	254	3.81
				Enterprise Funds [3]				
1988		91,582	1,837	89,745	16,623	61,896	78,519	1.14
1987		136,625	918	135,707	14,155	66,162	80,317	1.69
1986		114,295	990	113,305	11,710	66,973	78,683	1.44
1985		73,666	2,114	71,552	6,840	49,209	56,049	1.28
1984		62,876	391	62,485	3,715	32,417	36,132	1.73
1983		30,229	950	29,279	2,895	20,284	23,179	1.26
				Internal Service Funds				
1988		842	408	434	60	99	159	2.73
1987		803	365	438	55	103	158	2.77
1986		722	281	441	55	106	161	2.74
1985		704	256	448	55	109	164	2.73
1984		636	223	413	50	112	162	2.55
1983		647	232	415	45	114	159	2.61
				Nonexpendable Trust Funds [3]				
1988	[4]	-	-	-	-	-	-	-
1987		18,726	894	17,832	5,850	3,844	9,694	1.84
1986		22,195	1,111	21,084	6,850	4,341	11,191	1.88
1985		23,178	1,264	21,914	6,850	5,660	12,510	1.75
1984		23,286	1,295	21,991	6,850	5,952	12,802	1.72
1983		21,336	1,647	19,689	6,355	8,318	14,673	1.34
				University Funds				
1988		135,392	104,178	31,214	5,210	15,614	20,824	1.50
1987		121,761	94,407	27,354	8,981	13,548	22,529	1.21
1986		88,652	67,969	20,683	4,033	6,709	10,742	1.93
1985		81,667	62,711	18,956	4,030	6,671	10,701	1.77
1984		75,823	56,888	18,935	3,535	6,394	9,929	1.91
1983		68,686	53,876	14,810	3,893	5,765	9,658	1.53

[1] - Represents actual fund receipts and disbursements securing the applicable bonds.

[2] - Ideally, the coverage number would be 1.00 or higher, indicating that Net Revenues Available exceeds Debt Service Requirements.

[3] - Actual amounts paid differ from scheduled debt service requirements presented above.

[4] - These bonds were paid in full in 1988.

ASSESSED VALUE OF REAL PROPERTY, TANGIBLE PERSONAL PROPERTY, AND PUBLIC SERVICE COMPANIES

For the Years 1979-1988

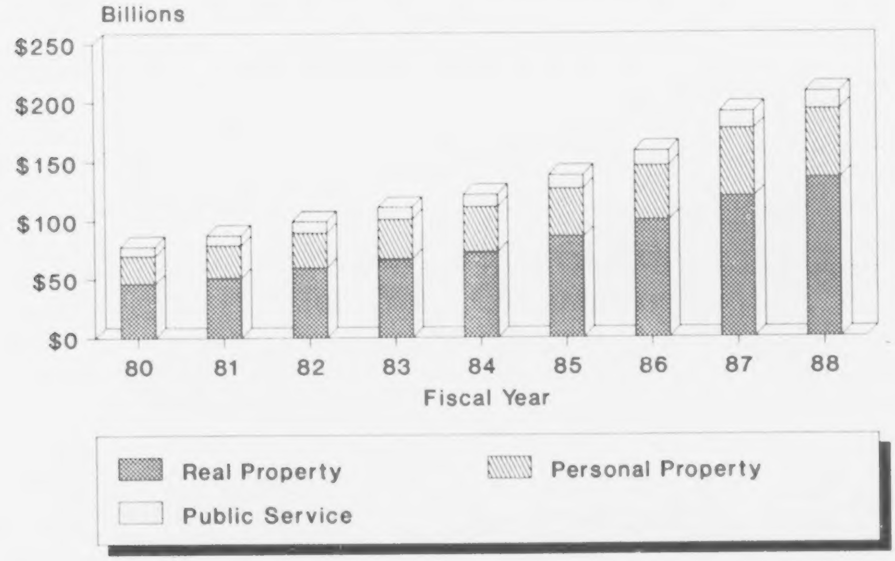
Table XI

(Expressed in Whole Dollars)

For the Years	Assessed Value at January 1 Real Property	Personal Property	Public Service Companies	Total
1988	$ 135,671,300,372	$ 57,705,370,847	$ 15,004,816,111	**$ 208,381,487,330**
1987	119,820,416,998	57,413,010,754	14,692,714,720	**191,926,142,472**
1986	99,850,538,664	46,693,841,533	12,365,634,320	**158,910,014,517**
1985	85,972,825,736	41,000,251,830	11,440,623,819	**138,413,701,385**
1984	73,206,272,661	38,317,923,513	10,733,729,219	**122,257,925,393**
1983	67,449,128,525	33,553,596,924	10,406,803,732	**111,409,529,181**
1982	59,678,753,905	30,096,636,217	9,709,847,057	**99,485,237,179**
1981	51,397,236,733	27,534,767,412	8,694,018,304	**87,626,022,449**
1980	46,048,133,822	24,191,210,411	7,869,912,535	**78,109,256,768**
1979	43,823,920,905	21,151,113,181	7,455,022,210	**72,430,056,296**

Note: The State does not levy an ad valorem tax on real property and tangible personal property. The only State-levied property tax is on intangible personal property. Counties are required by statute to assess property at 100% of appraised value.

Assessed Property Values
Ten-Year Comparison



Source: Compiled by the Department of Revenue from reports submitted by counties and municipalities.

SCHEDULE OF BANK AND SAVINGS AND LOAN DEPOSITS

For the Years 1978-1988

Table XII

(Expressed in Thousands)

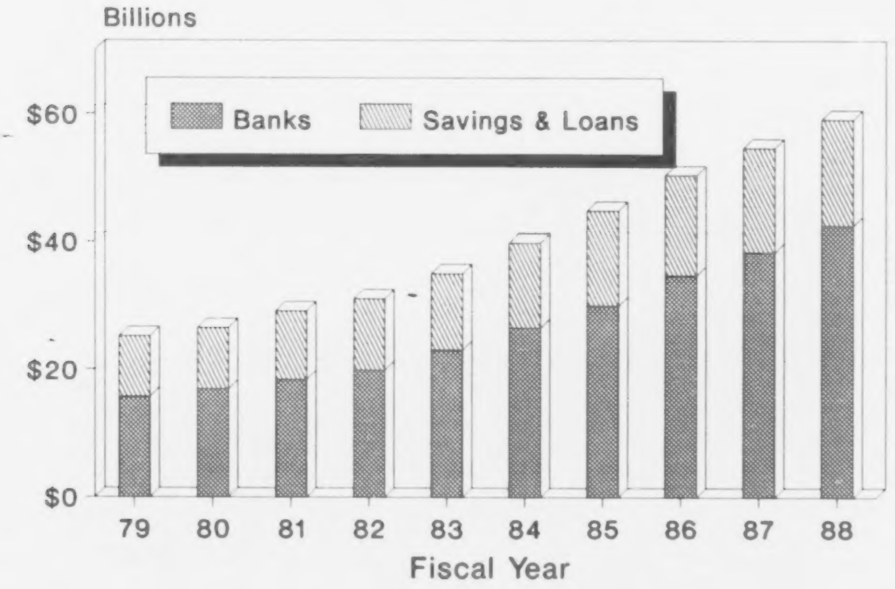
Banks

As of June 30	Chartered State	Chartered National	Total Deposits
1988	$ 12,177,522	$ 30,330,695	**$ 42,508,217**
1987	10,884,948	27,445,346	**38,330,294**
1986	9,513,909	25,259,970	**34,773,879**
1985	10,247,786	19,781,193	**30,028,979**
1984	9,282,068	17,181,045	**26,463,113**
1983	8,769,560	14,291,821	**23,061,381**
1982	7,436,015	12,321,599	**19,757,614**
1981	6,759,519	11,661,310	**18,420,829**
1980	6,295,124	10,582,361	**16,877,485**
1979	6,028,511	9,664,633	**15,693,144**

Savings and Loans

As of Dec. 31	Chartered State	Chartered Federal	Total Deposits
1987	$ 5,649,780	$ 11,020,472	**$ 16,670,252**
1986	5,882,096	10,566,483	**16,448,579**
1985	5,694,939	10,010,104	**15,705,043**
1984	5,601,745	9,231,293	**14,833,038**
1983	5,008,477	8,330,292	**13,338,769**
1982	4,556,810	7,482,772	**12,039,582**
1981	4,645,468	6,640,450	**11,285,918**
1980	5,466,766	5,370,010	**10,836,776**
1979	5,632,912	3,951,313	**9,584,225**
1978	5,304,580	4,225,235	**9,529,815**

Bank and Savings and Loan Deposits
Ten-Year Comparison



Source: North Carolina Department of Commerce.

CASH RECEIPTS FROM FARMING BY COMMODITIES

For the Calendar Years 1978-1987

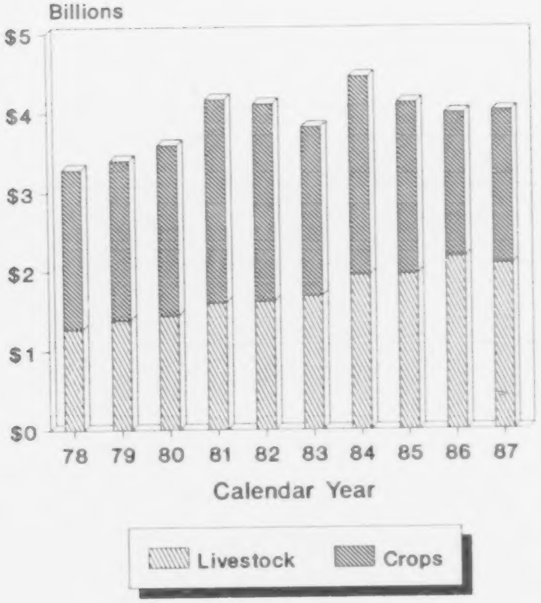
Table XIII

(Expressed in Millions)

	Livestock and Related Products						Crops					
Year	Poultry and Eggs	Dairy Products	Hogs	Cattle	Other Livestock and Products	Total Livestock and Products	Tobacco	Soybeans	Corn	Other Crops	Total Crops	Total Livestock and Crops
1987	$ 1,152.0	$ 222.6	$ 463.4	$ 190.7	$ 52.3	$ 2,081.0	$ 730.1	$ 184.4	$ 106.5	$ 913.1	$ 1,934.1	**$ 4,015.1**
1986	1,289.9	230.7	437.9	168.9	43.6	2,171.0	698.8	173.4	174.5	759.3	1,806.0	**3,977.0**
1985	1,125.5	246.9	387.5	154.4	43.4	1,957.7	936.2	212.2	272.9	736.0	2,157.3	**4,115.0**
1984	1,172.7	238.8	380.9	104.5	41.5	1,938.4	1,054.2	274.8	320.4	866.1	2,515.5	**4,453.9**
1983	907.9	245.1	378.1	106.7	41.3	1,679.1	1,019.8	257.8	187.3	666.9	2,131.8	**3,810.9**
1982	829.9	240.5	369.4	141.4	39.4	1,620.6	1,233.4	299.6	256.3	692.8	2,482.1	**4,102.7**
1981	863.3	239.6	357.6	125.7	18.0	1,604.2	1,296.0	274.9	253.3	731.5	2,555.7	**4,159.9**
1980	783.8	220.7	316.8	112.7	9.9	1,443.9	1,112.9	242.1	244.4	549.3	2,148.7	**3,592.6**
1979	756.1	192.4	300.3	132.3	9.2	1,390.3	894.7	301.7	276.3	538.2	2,010.9	**3,401.2**
1978	696.1	171.9	291.8	110.2	8.6	1,278.6	1,109.5	247.7	159.0	490.1	2,006.3	**3,284.9**

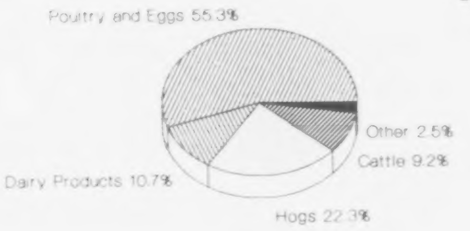
Cash Receipts From Farming

Ten Year Comparison

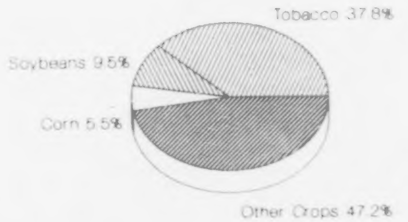


Calendar Year 1987

Livestock and Related Products



Crops



Source: North Carolina Crop and Livestock Reporting Service (data for 1988 is not available.)

MAJOR PRIVATE EMPLOYERS

June 30, 1988

Table XIV

The State's largest major private employers (ranked by number of employees) as of the end of the first quarter of 1988 are:

1988 Rank	Prior Year Rank	Employer	Range of Number Employed
1	4	Duke University	17,000 - 17,999
2	2	International Business Machines Corporation	16,000 - 16,999
3	1	Burlington Industries, Inc.	16,000 - 16,999
4	3	Fieldcrest Cannon, Inc.	14,000 - 14,999
5	9	Food Lion, Inc.	14,000 - 14,999
6	5	Duke Power Company	14,000 - 14,999
7	6	RJR Nabisco, Inc.	13,000 - 13,999
8	10	Piedmont Aviation, Inc.	10,000 - 10,999
9	15	Cone Mills Corporation	10,000 - 10,999
10	14	Sears Roebuck Company	10,000 - 10,999
11	7	Rose's Stores, Inc.	10,000 - 10,999
12	11	Carolina Power & Light Company	9,000 - 9,999
13	8	A T & T Technologies, Inc.	9,000 - 9,999
14	13	K-Mart Corporation	8,000 - 8,999
15	20	Wachovia Bank & Trust Company, N.A.	8,000 - 8,999
16	24	Harris Teeter Supermarkets, Inc.	7,000 - 7,999
17	18	First Union National Bank of North Carolina	7,000 - 7,999
18	16	Southern Bell Telephone & Telegraph Company, Inc.	7,000 - 7,999
19	19	Northern Telecom, Inc.	7,000 - 7,999
20	17	Collins & Aikman Corporation	7,000 - 7,999
21	21	General Electric Company, Inc.	7,000 - 7,999
22	25	Winn-Dixie Charlotte, Inc.	6,000 - 6,999
23	22	Broyhill Furniture Industries	6,000 - 6,999
24	23	E.I. du Pont de Nemours & Company	6,000 - 6,999

Source: Office of the State Controller survey of the listed corporations.
Ranking provided by the North Carolina Employment Security Commission.

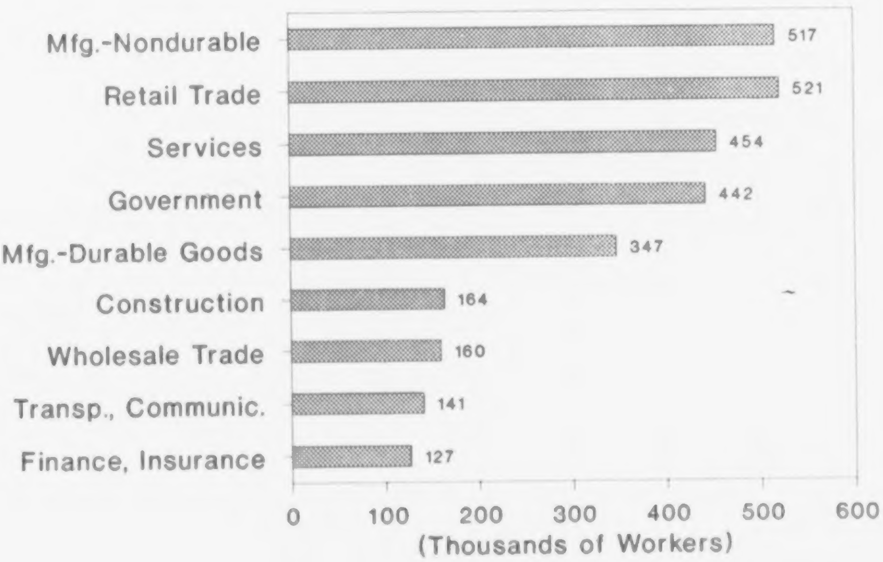
TEN LARGEST NON-AGRICULTURAL INDUSTRIES BY NUMBER OF EMPLOYEES

For the Years 1980-1987

Table XV

	1987	1986	1985	1984	1983	1982	1981	1980
Manufacturing - Nondurable Goods....	517,122	499,222	485,800	501,000	493,800	488,900	510,000	515,900
Retail Trade....	520,682	478,653	438,800	417,200	386,200	360,200	354,100	349,100
Services....	453,879	425,613	427,600	399,300	370,400	357,900	353,000	341,300
Government....	441,603	394,588	422,800	413,700	407,100	400,300	403,700	409,900
Manufacturing - Durable Goods....	347,474	335,309	341,700	334,600	302,300	293,300	310,700	304,100
Contract Construction....	163,833	159,702	149,200	132,600	112,400	106,800	115,600	118,700
Wholesale Trade....	160,240	148,592	137,500	131,800	121,800	122,500	124,700	123,800
Transportation, Communications and Public Utilities....	141,003	130,335	128,800	126,600	120,500	114,700	116,800	116,500
Finance, Insurance and Real Estate....	127,322	119,945	108,600	103,800	100,400	97,800	98,100	95,500
Mining....	4,845	4,474	4,800	4,600	4,300	4,600	4,900	5,200
Total Non-Agricultural Employment...	2,878,003	2,696,433	2,645,600	2,565,200	2,419,200	2,347,000	2,391,600	2,380,000
Manufacturing....	864,596	834,531	827,400	835,600	796,100	782,200	820,700	820,000
Non-Manufacturing....	2,013,407	1,861,902	1,818,200	1,729,600	1,623,100	1,564,800	1,570,900	1,560,000

Number of Employees by Industry - 1987
(Non-Agricultural)



Source: North Carolina Employment Security Commission (data for 1979 and 1988 is not available.)

SCHEDULE OF MISCELLANEOUS STATISTICS

As of June 30, 1988 Table XVI

Adoption of State Constitution	1776, 1868, 1971
Form of Government	Executive, Legislative, Judicial
Land Area (Square Miles)	50,000 (31,999,760 acres)
Miles of Highway	76,548
State Police Protection:	
Number of Stations	57
Number of State Police	1,227
Higher Education:	
Community Colleges:	
Number of Campuses	58
Number of Students (Average Annual Full Time Equivalent (FTE))	123,040
Number of Curriculum Instructors (Budgeted)	6,258
Universities:	
Number of Campuses	16
Number of Regular Term Students (FTE)	112,861
Number of Regular Term Teaching Positions (FTE)	8,172
Recreation:	
Number of State Parks	33
Area of State Parks (Acres)	125,000
Area of State Forest (Acres)	254,565

Source: Land Area	Department of Natural Resources and Community Development
Miles of Highways	Department of Transportation
State Police Protection	Department of Crime Control and Public Safety
Higher Education - Community Colleges	Department of Community Colleges and Office of State Budget and Management
Higher Education - Universities	Office of State Budget and Management
Recreation	Department of Natural Resources and Community Development Department of Agriculture Department of Correction

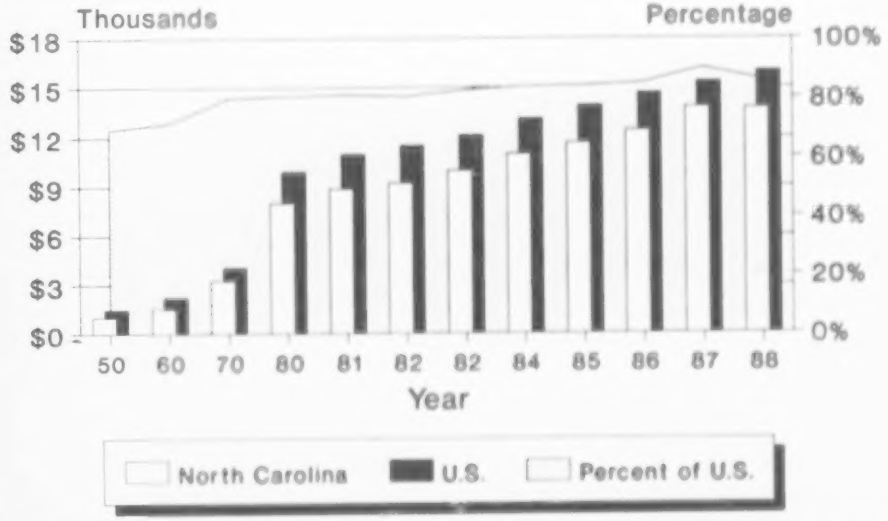
SCHEDULE OF DEMOGRAPHIC DATA

For the Years 1950, 1960, 1970, 1980-1988

(Expressed in Whole Numbers)

	Population [1]				Per Capita Income [2]		
Year	United States	Increase From Prior Period	North Carolina	Increase From Prior Period	United States	North Carolina	N.C. As A Percentage of U.S.
1988	245,602,000	1.18%	6,485,108	1.28%	$ 15,992	$ 13,745	85.95%
1987	242,742,000	0.92%	6,403,426	1.14%	15,350	13,829	90.09%
1986	240,523,000	0.97%	6,331,288	1.13%	14,641	12,438	84.95%
1985	238,207,000	0.95%	6,260,716	1.49%	13,907	11,685	84.02%
1984	235,961,000	0.95%	6,168,950	1.47%	13,114	11,001	83.89%
1983	233,736,000	1.01%	6,079,790	1.03%	12,098	9,986	82.54%
1982	231,405,000	1.04%	6,018,047	1.02%	11,481	9,282	80.85%
1981	229,033,000	1.14%	5,956,995	1.30%	10,949	8,879	81.09%
1980	226,451,000	11.09%	5,880,415	15.66%	9,919	7,998	80.63%
1970	203,849,000	13.26%	5,084,411	11.59%	4,051	3,236	79.88%
1960	179,979,000	18.51%	4,556,155	12.17%	2,201	1,577	71.65%
1950	151,868,000		4,061,929		1,496	1,037	69.32%

Per Capita Income
North Carolina vs. United States
1950 to 1988



Sources:

[1] Population - As of June 30, 1988 — U.S. Department of Commerce, Bureau of the Census
N.C. Office of State Budget and Management

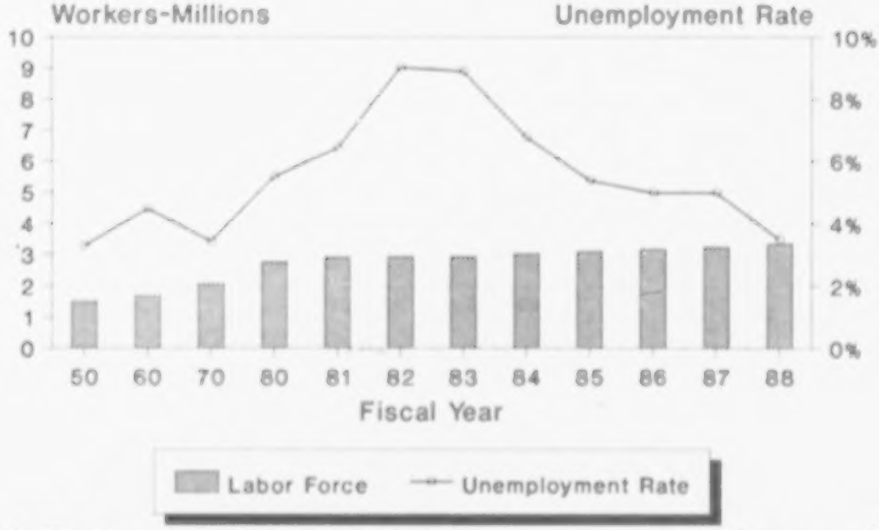
[2] Per Capita Income - As of June 30, 1988 — U.S. Department of Commerce, Bureau of Economic Analysis
N.C. Office of State Budget and Management

[3] Labor Force Data - As of June 30, 1988 — N.C. Employment Security Commission

Table XVII

North Carolina Civilian Labor Force Data [3]				North Carolina - Other Data		
				[4]	[5]	[6]
Total	Employed	Unemployed	Unemployed Percentage Rate	Public School Enrollment	Motor Vehicles Registered	Residential Construction Authorized
3,343,400	3,227,000	116,400	3.48%	1,072,934	5,437,290	13,446
3,239,633	3,078,608	161,025	4.97%	1,073,524	6,060,939	29,629
3,175,000	3,017,000	158,000	4.98%	1,075,289	5,853,085	34,762
3,106,000	2,939,000	167,000	5.38%	1,123,425	5,845,623	35,045
3,031,000	2,826,000	205,000	6.76%	1,127,874	5,383,012	29,071
2,935,000	2,674,000	261,000	8.89%	1,135,157	5,160,488	23,701
2,940,000	2,675,000	265,000	9.01%	1,148,868	4,948,763	12,981
2,917,000	2,730,000	187,000	6.41%	1,170,894	4,655,675	10,760
2,759,197	2,607,925	151,272	5.48%	1,191,342	5,094,814	6,730
2,054,838	1,984,402	70,436	3.43%	1,217,024	3,218,292	(Data
1,680,442	1,605,478	74,964	4.46%	1,105,412	1,907,988	not
1,512,924	1,463,352	49,572	3.28%	893,745	1,171,228	available)

Civilian Labor Force Trends
With Unemployment Percentages
1950 to 1988



Sources: [4] Public School Enrollment - Final Average Daily Membership for the School Year September 1 to June 30 — N.C. Department of Education

[5] Motor Vehicle Registrations - For the Fiscal Year Ending June 30, 1988 — N.C. Division of Motor Vehicles

[6] Residential Housing Permits - Current Year for the Six Months Ended June 30, 1988; Prior Years for the Calendar Years Ended December 31 (data compiled for 45 cities and 72 counties in North Carolina) — N.C. Department of Labor